

# Senate Study Bill 1168

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON McKIBBEN)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to state and local taxes and budgets by imposing  
2 a single rate tax, phasing out the taxes on pensions and  
3 social security, eliminating the deduction for federal income  
4 taxes paid, and eliminating the alternative minimum tax under  
5 the individual income tax; by increasing the sales and use tax  
6 rate; by increasing the state cigarette tax rate; and by  
7 establishing an ending fund balances limitation for counties,  
8 defining terms related to the county budgeting process,  
9 providing for an ad valorem tax on mobile homes and  
10 manufactured homes, allowing counties to join in employment of  
11 a multicounty assessor, relating to property assessment  
12 guidelines and providing for state payment reductions, setting  
13 assessment limitations on residential and agricultural  
14 property and on commercial and industrial property,  
15 classifying commercial and industrial property as one taxation  
16 class, allowing for appeal of assessments of industrial  
17 property to the director of revenue and finance, establishing  
18 a property tax limitation for cities and counties; and  
19 including effective and applicability date provisions.  
20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
21 TLSB 3100XC 80  
22 mg/sh/8

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1 1 DIVISION I  
1 2 INDIVIDUAL INCOME TAX  
1 3 SINGLE TAX RATE  
1 4 Section 1. Section 422.4, subsections 1 and 2, Code 2003,  
1 5 are amended by striking the subsections.  
1 6 Sec. 2. Section 422.4, subsection 16, Code 2003, is  
1 7 amended to read as follows:  
1 8 16. ~~The words "taxable income" mean means~~ the net  
1 9 income as defined in section 422.7 minus the deductions  
1 10 allowed by section 422.9, in the case of individuals, ~~in. In~~  
1 11 the case of estates or trusts, ~~the words "taxable income" mean~~  
1 12 ~~means~~ the taxable income, ~~(without a deduction for personal~~  
1 13 ~~exemption), as computed for federal income tax purposes under~~  
1 14 the Internal Revenue Code, but with the adjustments specified  
1 15 in section 422.7 ~~plus the Iowa income tax deducted in~~  
~~1 16 computing the federal taxable income and minus federal income~~  
~~1 17 taxes as provided in section 422.9.~~  
1 18 Sec. 3. Section 422.5, subsection 1, Code 2003, is amended  
1 19 by striking the subsection and inserting in lieu thereof the  
1 20 following:  
1 21 1. a. A tax is imposed upon every resident and  
1 22 nonresident of the state which tax shall be levied, collected,  
1 23 and paid annually upon and with respect to the entire taxable  
1 24 income at the rate of three and one-half percent.  
1 25 b. (1) The tax imposed upon the taxable income of a  
1 26 nonresident shall be computed by reducing the amount  
1 27 determined pursuant to paragraph "a" by the amounts of  
1 28 nonrefundable credits under this division and by multiplying  
1 29 this resulting amount by a fraction of which the nonresident's  
1 30 net income allocated to Iowa, as determined in section 422.8,  
1 31 subsection 2, paragraph "a", is the numerator and the  
1 32 nonresident's total net income computed under section 422.7 is  
1 33 the denominator. This provision also applies to individuals  
1 34 who are residents of Iowa for less than the entire tax year.  
1 35 (2) The tax imposed upon the taxable income of a resident  
2 1 shareholder in an S corporation which has in effect for the  
2 2 tax year an election under subchapter S of the Internal  
2 3 Revenue Code and carries on business within and without the  
2 4 state may be computed by reducing the amount determined  
2 5 pursuant to paragraph "a" by the amounts of nonrefundable

2 6 credits under this division and by multiplying this resulting  
2 7 amount by a fraction of which the resident's net income  
2 8 allocated to Iowa, as determined in section 422.8, subsection  
2 9 2, paragraph "b", is the numerator and the resident's total  
2 10 net income computed under section 422.7 is the denominator.  
2 11 If a resident shareholder has elected to take advantage of  
2 12 this subparagraph, and for the next tax year elects not to  
2 13 take advantage of this subparagraph, the resident shareholder  
2 14 shall not reelect to take advantage of this subparagraph for  
2 15 the three tax years immediately following the first tax year  
2 16 for which the shareholder elected not to take advantage of  
2 17 this subparagraph, unless the director consents to the  
2 18 reelection. This subparagraph also applies to individuals who  
2 19 are residents of Iowa for less than the entire tax year.

2 20 c. (1) A bill containing among its provisions an increase  
2 21 in the tax rate under this section or the imposition upon  
2 22 individuals or estates or trusts of an income surtax or  
2 23 alternative minimum tax shall require the affirmative votes of  
2 24 at least three-fourths of the members elected to each house of  
2 25 the general assembly for passage.

2 26 (2) A lawsuit challenging the proper enactment of a bill  
2 27 pursuant to subparagraph (1) shall be filed no later than one  
2 28 year following the enactment. Failure to file such a lawsuit  
2 29 within the one-year time limit shall negate the three-fourths  
2 30 majority requirement as it applies to the bill.

2 31 (3) Each bill to which subparagraph (1) applies shall  
2 32 include a separate provision describing the requirements for  
2 33 enactment prescribed by subparagraphs (1) and (2).

2 34 Sec. 4. Section 422.5, subsection 2, Code 2003, is amended  
2 35 by striking the subsection and inserting in lieu thereof the  
3 1 following:

3 2 2. a. However, if the married persons' filing jointly,  
3 3 unmarried head of household's, or surviving spouse's net  
3 4 income exceeds fifteen thousand dollars or eleven thousand  
3 5 dollars in the case of all other persons, the regular tax  
3 6 imposed under this division shall be the lesser of the product  
3 7 of eight percent times the portion of the net income in excess  
3 8 of fifteen thousand dollars or eleven thousand dollars, as  
3 9 applicable, or the regular tax liability computed without  
3 10 regard to this paragraph.

3 11 b. Paragraph "a" does not apply to estates and trusts.  
3 12 Married taxpayers electing to file separately shall compute  
3 13 the alternate tax described in paragraph "a" using the total  
3 14 net income of the husband and wife. The alternate tax  
3 15 described in paragraph "a" does not apply if one spouse elects  
3 16 to carry back or carry forward the loss as provided in section  
3 17 422.9, subsection 3. A person who is claimed as a dependent  
3 18 by another person as defined in section 422.12 shall not  
3 19 receive the benefit of paragraph "a" if the person claiming  
3 20 the dependent has net income exceeding fifteen thousand  
3 21 dollars or eleven thousand dollars as applicable or the person  
3 22 claiming the dependent and the person's spouse have combined  
3 23 net income exceeding fifteen thousand dollars or eleven  
3 24 thousand dollars as applicable.

3 25 Sec. 5. Section 422.5, subsections 5 and 7, Code 2003, are  
3 26 amended by striking the subsections.

3 27 Sec. 6. Section 422.7, Code 2003, is amended by striking  
3 28 the section and inserting in lieu thereof the following:

3 29 422.7 "NET INCOME" == HOW COMPUTED.

3 30 The term "net income" means the adjusted gross income  
3 31 before the net operating loss deduction as properly computed  
3 32 for federal income tax purposes under the Internal Revenue  
3 33 Code, with the following adjustments:

3 34 1. The adjusted gross income is adjusted by adding the sum  
3 35 of the following:

4 1 a. Add the amount of federal income tax refunds received  
4 2 in a tax year beginning on or after January 1, 2004, but  
4 3 before January 1, 2007, to the extent that the federal income  
4 4 tax was deducted on an Iowa individual income tax return for a  
4 5 tax year beginning prior to January 1, 2004.

4 6 b. Add interest and dividends from foreign securities and  
4 7 from securities of state and other political subdivisions  
4 8 exempt from federal income tax under the Internal Revenue  
4 9 Code.

4 10 c. Add interest and dividends from regulated investment  
4 11 companies exempt from federal income tax under the Internal  
4 12 Revenue Code.

4 13 d. Add, to the extent not already included, income from  
4 14 the sale of obligations of the state and its political  
4 15 subdivisions. Income from the sale of these obligations is  
4 16 exempt from the taxes imposed by this division only if the law

4 17 authorizing these obligations specifically exempts the income  
4 18 from the sale from the state individual income tax.

4 19 e. Add the amount resulting from the cancellation of a  
4 20 participation agreement refunded to the taxpayer as a  
4 21 participant in the Iowa educational savings plan trust under  
4 22 chapter 12D to the extent previously deducted as a  
4 23 contribution to the trust.

4 24 2. The adjusted gross income is adjusted by subtracting  
4 25 the sum of the following:

4 26 a. Subtract the amount of federal income taxes paid or  
4 27 accrued, as the case may be, in a tax year beginning on or  
4 28 after January 1, 2004, but before January 1, 2007, to the  
4 29 extent the federal tax payment is for a tax year beginning  
4 30 prior to January 1, 2004.

4 31 b. Subtract interest and dividends from federal  
4 32 securities.

4 33 c. Subtract the loss on the sale or exchange of a share of  
4 34 a regulated investment company held for six months or less to  
4 35 the extent the loss was disallowed under section 852(b)(4)(B)  
5 1 of the Internal Revenue Code.

5 2 d. (1) Subtract, to the extent included, the amount of  
5 3 additional social security benefits taxable under the Internal  
5 4 Revenue Code for tax years beginning before January 1, 2008.  
5 5 The amount of social security benefits taxable as provided in  
5 6 section 86 of the Internal Revenue Code, as amended up to and  
5 7 including January 1, 1993, continues to apply for state income  
5 8 tax purposes for tax years beginning before January 1, 2008.

5 9 (2) Subtract, to the extent included after the subtraction  
5 10 in subparagraph (1), the following:

5 11 (a) For tax years beginning in the 2004 calendar year,  
5 12 one-fifth of taxable social security benefits received.

5 13 (b) For tax years beginning in the 2005 calendar year,  
5 14 two-fifths of taxable social security benefits received.

5 15 (c) For tax years beginning in the 2006 calendar year,  
5 16 three-fifths of taxable social security benefits received.

5 17 (d) For tax years beginning in the 2007 calendar year,  
5 18 four-fifths of taxable social security benefits received.

5 19 (3) Married taxpayers, who file a joint federal income tax  
5 20 return and who elect to file separate returns for state income  
5 21 tax purposes, shall allocate between the spouses the amount of  
5 22 benefits subtracted under subparagraphs (1) and (2) from net  
5 23 income in the ratio of the social security benefits received  
5 24 by each spouse to the total of these benefits received by both  
5 25 spouses.

5 26 (4) Subtract, to the extent included, the amount of social  
5 27 security benefits taxable under section 86 of the Internal  
5 28 Revenue Code for tax years beginning on or after January 1,  
5 29 2008.

5 30 e. (1) Subtract, to the extent included, for tax years  
5 31 beginning before January 1, 2008, for a person who is  
5 32 disabled, or is fifty-five years of age or older, or is the  
5 33 surviving spouse of an individual or a survivor having an  
5 34 insurable interest in an individual who would have qualified  
5 35 for the exemption under this paragraph for the tax year, the  
6 1 total amount of a governmental or other pension or retirement  
6 2 pay, including, but not limited to, defined benefit or defined  
6 3 contribution plans, annuities, individual retirement accounts,  
6 4 plans maintained or contributed to by an employer, or  
6 5 maintained or contributed to by a self-employed person as an  
6 6 employer, and deferred compensation plans or any earnings  
6 7 attributable to the deferred compensation plans, up to a  
6 8 maximum of six thousand dollars for a person, other than a  
6 9 husband or wife, who files a separate state income tax return  
6 10 and up to a maximum of twelve thousand dollars for a husband  
6 11 and wife who file a joint state income tax return.

6 12 (2) Subtract, to the extent included after the subtraction  
6 13 in subparagraph (1), the following:

6 14 (a) For tax years beginning in the 2004 calendar year,  
6 15 one-fifth of the amount of governmental or other pension or  
6 16 retirement pay included.

6 17 (b) For tax years beginning in the 2005 calendar year,  
6 18 two-fifths of the amount of governmental or other pension or  
6 19 retirement pay included.

6 20 (c) For tax years beginning in the 2006 calendar year,  
6 21 three-fifths of the amount of governmental or other pension or  
6 22 retirement pay included.

6 23 (d) For tax years beginning in the 2007 calendar year,  
6 24 four-fifths of the amount of governmental or other pension or  
6 25 retirement pay included.

6 26 (3) However, a surviving spouse who is not disabled or  
6 27 fifty-five years of age or older can only exclude the amount

6 28 of pension or retirement pay received as a result of the death  
6 29 of the other spouse. A husband and wife filing separate state  
6 30 income tax returns are allowed a combined maximum exclusion  
6 31 under this paragraph "e" of up to the amount allowed for a  
6 32 husband and wife who file a joint state income tax return.  
6 33 The exclusion shall be allocated to the husband or wife in the  
6 34 proportion that each spouse's respective pension and  
6 35 retirement pay received bears to total combined pension and  
7 1 retirement pay received.

7 2 (4) Subtract, to the extent included, the total amount of  
7 3 governmental or other pension or retirement pay for tax years  
7 4 beginning on or after January 1, 2008.

7 5 f. Notwithstanding the method for computing income from an  
7 6 installment sale under section 453 of the Internal Revenue  
7 7 Code, as defined in section 422.3, the method to be used in  
7 8 computing income from an installment sale shall be the method  
7 9 under section 453 of the Internal Revenue Code, as amended up  
7 10 to and including January 1, 2000. A taxpayer affected by this  
7 11 paragraph shall make adjustments in the adjusted gross income  
7 12 pursuant to rules adopted by the director.

7 13 The adjustment to net income provided in this paragraph is  
7 14 repealed for tax years beginning on or after January 1, 2002.  
7 15 However, to the extent that a taxpayer using the accrual  
7 16 method of accounting reported the entire capital gain from the  
7 17 sale or exchange of property on the Iowa return for the tax  
7 18 year beginning in the 2001 calendar year and the capital gain  
7 19 was reported on the installment method on the federal income  
7 20 tax return, any additional installment from the capital gain  
7 21 reported for federal income tax purposes is not to be included  
7 22 in net income in tax years beginning on or after January 1,  
7 23 2002.

7 24 g. Subtract, if the taxpayer is the owner of an individual  
7 25 development account certified under chapter 541A at any time  
7 26 during the tax year, all of the following:

7 27 (1) Contributions made to the account by persons and  
7 28 entities, other than the taxpayer, as authorized in chapter  
7 29 541A.

7 30 (2) The amount of any savings refund authorized under  
7 31 section 541A.3, subsection 1.

7 32 (3) Earnings from the account.

7 33 h. (1) Subtract the maximum contribution that may be  
7 34 deducted for income tax purposes as a participant in the Iowa  
7 35 educational savings plan trust pursuant to section 12D.3,  
8 1 subsection 1, paragraph "a".

8 2 (2) Subtract, to the extent included, income from interest  
8 3 and earnings received from the Iowa educational savings plan  
8 4 trust created in chapter 12D.

8 5 (3) Subtract, to the extent not deducted for federal  
8 6 income tax purposes, the amount of any gift, grant, or  
8 7 donation made to the Iowa educational savings plan trust for  
8 8 deposit in the endowment fund of that trust.

8 9 i. Subtract, to the extent included, active duty pay  
8 10 received by a person in the national guard or armed forces  
8 11 military reserve for services performed on or after August 2,  
8 12 1990, pursuant to military orders related to the Persian Gulf  
8 13 Conflict.

8 14 j. Subtract, to the extent included, active duty pay  
8 15 received by a person in the national guard or armed forces  
8 16 military reserve for service performed on or after November  
8 17 21, 1995, pursuant to military orders related to peacekeeping  
8 18 in Bosnia=Herzegovina.

8 19 k. Subtract, to the extent included, the following:

8 20 (1) Payments made to the taxpayer because of the  
8 21 taxpayer's status as a victim of persecution for racial,  
8 22 ethnic, or religious reasons by Nazi Germany or any other Axis  
8 23 regime or as an heir of such victim.

8 24 (2) Items of income attributable to, derived from, or in  
8 25 any way related to assets stolen from, hidden from, or  
8 26 otherwise lost to a victim of persecution for racial, ethnic,  
8 27 or religious reasons by Nazi Germany or any other Axis regime  
8 28 immediately prior to, during, and immediately after World War  
8 29 II, including, but not limited to, interest on the proceeds  
8 30 receivable as insurance under policies issued to a victim of  
8 31 persecution for racial, ethnic, or religious reasons by Nazi  
8 32 Germany or any other Axis regime by European insurance  
8 33 companies immediately prior to and during World War II.  
8 34 However, income from assets acquired with such assets or with  
8 35 the proceeds from the sale of such assets shall not be  
9 1 subtracted. This subparagraph shall only apply to a taxpayer  
9 2 who was the first recipient of such assets after recovery of  
9 3 the assets and who is a victim of persecution for racial,

9 4 ethnic, or religious reasons by Nazi Germany or any other Axis  
9 5 regime or is an heir of such victim.

9 6 3. a. In determining the amount of federal income tax  
9 7 refunds or taxes paid or accrued under subsection 1 or  
9 8 subsection 2, for tax years beginning in the 2001 calendar  
9 9 year, the amount shall not be adjusted by the amount received  
9 10 during the tax year of the advanced refund of the rate  
9 11 reduction tax credit provided pursuant to the federal Economic  
9 12 Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No.  
9 13 107=16, and the advanced refund of such credit shall not be  
9 14 subject to taxation under this division.

9 15 b. In determining the amount of federal income tax refunds  
9 16 or taxes paid or accrued under subsection 1 or subsection 2,  
9 17 for tax years beginning in the 2002 calendar year, the amount  
9 18 for the tax year shall not be adjusted by the amount of the  
9 19 rate reduction credit received in the tax year to the extent  
9 20 that the credit is attributable to the rate reduction credit  
9 21 provided pursuant to the federal Economic Growth and Tax  
9 22 Relief Reconciliation Act of 2001, Pub. L. No. 107=16, and the  
9 23 amount of such credit shall not be taxable under this  
9 24 division.

9 25 Sec. 7. Section 422.8, subsection 2, paragraph a, Code  
9 26 2003, is amended to read as follows:

9 27 a. Nonresident's net income allocated to Iowa is the net  
9 28 income, or portion of net income, which is derived from a  
9 29 business, trade, profession, or occupation carried on within  
9 30 this state or income from any property, trust, estate, or  
9 31 other source within Iowa. However, income derived from a  
9 32 business, trade, profession, or occupation carried on within  
9 33 this state and income from any property, trust, estate, or  
9 34 other source within Iowa shall not include distributions from  
9 35 pensions, including defined benefit or defined contribution  
10 1 plans, annuities, individual retirement accounts, and deferred  
10 2 compensation plans or any earnings attributable thereto ~~so~~  
~~10 3 long as the distribution is directly related to an~~  
~~10 4 individual's documented retirement and received while the~~  
~~10 5 individual is a nonresident of this state.~~ If a business,  
10 6 trade, profession, or occupation is carried on partly within  
10 7 and partly without the state, only the portion of the net  
10 8 income which is fairly and equitably attributable to that part  
10 9 of the business, trade, profession, or occupation carried on  
10 10 within the state is allocated to Iowa for purposes of section  
10 11 422.5, subsection 1, paragraph ~~"j"~~ "b", and section 422.13 and  
10 12 income from any property, trust, estate, or other source  
10 13 partly within and partly without the state is allocated to  
10 14 Iowa in the same manner, except that annuities, interest on  
10 15 bank deposits and interest-bearing obligations, and dividends  
10 16 are allocated to Iowa only to the extent to which they are  
10 17 derived from a business, trade, profession, or occupation  
10 18 carried on within the state.

10 19 Sec. 8. Section 422.8, subsection 4, Code 2003, is amended  
10 20 by striking the subsection.

10 21 Sec. 9. Section 422.9, unnumbered paragraph 1 and  
10 22 subsections 1 and 2, Code 2003, are amended by striking the  
10 23 unnumbered paragraph and the subsections and inserting in lieu  
10 24 thereof the following:

10 25 In computing taxable income of individuals, there shall be  
10 26 deducted from net income the following:

10 27 1. A standard deduction equal to the following:

10 28 a. For a single individual, or a married person filing  
10 29 separately, two thousand dollars.

10 30 b. For a head of household, or a husband and wife filing a  
10 31 joint return, four thousand dollars.

10 32 c. For each dependent, an additional two thousand dollars.

10 33 As used in this section, the term "dependent" has the same  
10 34 meaning as provided by the Internal Revenue Code.

10 35 2. In addition to the amount in subsection 1, the  
11 1 following:

11 2 a. For a single individual, husband, wife, or head of  
11 3 household, an additional exemption of one thousand dollars for  
11 4 each such individual who has attained the age of sixty-five  
11 5 years before the close of the tax year or on the first day  
11 6 following the end of the tax year.

11 7 b. For a single individual, husband, wife, or head of  
11 8 household, an additional exemption of one thousand dollars for  
11 9 each such individual who is blind at the close of the tax  
11 10 year. For the purposes of this paragraph, an individual is  
11 11 blind only if the individual's central visual acuity does not  
11 12 exceed twenty-two hundredths in the better eye with correcting  
11 13 lenses, or if the individual's visual acuity is greater than  
11 14 twenty-two hundredths but is accompanied by a limitation in

11 15 the fields of vision such that the widest diameter of the  
11 16 visual field subtends an angle no greater than twenty degrees.  
11 17 Sec. 10. Section 422.9, subsections 4 through 7, Code  
11 18 2003, are amended by striking the subsections.  
11 19 Sec. 11. Section 422.11B, subsection 1, Code 2003, is  
11 20 amended to read as follows:  
11 21 1. There is allowed as a credit against the tax determined  
11 22 in section 422.5, subsection 1, paragraphs "a" through "j" for  
11 23 a tax year an amount equal to the minimum tax credit for that  
11 24 tax year.  
11 25 The minimum tax credit for a tax year is the excess, if  
11 26 any, of the adjusted net minimum tax imposed for all prior tax  
11 27 years beginning on or after January 1, 1987, but before  
11 28 January 1, 2004, over the amount allowable as a credit under  
11 29 this section for those prior tax years.  
11 30 If a minimum tax credit is available to a tax period  
11 31 beginning on or after January 1, 2004, the credit can be  
11 32 carried over to tax years beginning on or after January 1,  
11 33 2004, but before January 1, 2007. The minimum tax credit is  
11 34 limited to the tax determined in section 422.5, subsection 1,  
11 35 paragraphs "a" and "b".  
12 1 Sec. 12. Section 422.12, subsection 1, Code 2003, is  
12 2 amended by striking the subsection and inserting in lieu  
12 3 thereof the following:  
12 4 1. A personal exemption credit in the following amounts:  
12 5 a. If the net income of an estate or trust, a single  
12 6 individual, or a married person filing a separate return is no  
12 7 more than twenty-five thousand dollars, forty dollars.  
12 8 b. If the net income of a head of household or a husband  
12 9 and wife filing a joint return is no more than fifty thousand  
12 10 dollars, eighty dollars.  
12 11 c. For each dependent of a taxpayer described in paragraph  
12 12 "a" or "b", an additional forty dollars. As used in this  
12 13 section, "dependent" means the same as provided in the  
12 14 Internal Revenue Code.  
12 15 Sec. 13. Section 422.12B, subsection 2, Code 2003, is  
12 16 amended to read as follows:  
12 17 2. Married taxpayers electing to file separate returns ~~or~~  
12 18 ~~filing separately on a combined return~~ may avail themselves of  
12 19 the earned income credit by allocating the earned income  
12 20 credit to each spouse in the proportion that each spouse's  
12 21 respective earned income bears to the total combined earned  
12 22 income. Taxpayers affected by the allocation provisions of  
12 23 section 422.8 shall be permitted a deduction for the credit  
12 24 only in the amount fairly and equitably allocable to Iowa  
12 25 under rules prescribed by the director.  
12 26 Sec. 14. Section 422.12C, subsection 3, Code 2003, is  
12 27 amended to read as follows:  
12 28 3. Married taxpayers who have filed joint federal returns  
12 29 electing to file separate returns ~~or to file separately on a~~  
12 30 ~~combined return form~~ must determine the child and dependent  
12 31 care credit under subsection 1 based upon their combined net  
12 32 income and allocate the total credit amount to each spouse in  
12 33 the proportion that each spouse's respective net income bears  
12 34 to the total combined net income. Nonresidents or part-year  
12 35 residents of Iowa must determine their Iowa child and  
13 1 dependent care credit in the ratio of their Iowa source net  
13 2 income to their all source net income. Nonresidents or part-  
13 3 year residents who are married and elect to file separate  
13 4 returns ~~or to file separately on a combined return form~~ must  
13 5 allocate the Iowa child and dependent care credit between the  
13 6 spouses in the ratio of each spouse's Iowa source net income  
13 7 to the combined Iowa source net income of the taxpayers.  
13 8 Sec. 15. Section 422.13, subsection 1, paragraph c, and  
13 9 subsection 1A, Code 2003, are amended to read as follows:  
13 10 c. However, if that part of the net income of a  
13 11 nonresident which is allocated to Iowa pursuant to section  
13 12 422.8, subsection 2, is less than one thousand dollars the  
13 13 nonresident is not required to make and sign a return ~~except~~  
13 14 ~~when the nonresident is subject to the state alternative~~  
13 15 ~~minimum tax imposed pursuant to section 422.5, subsection 1,~~  
13 16 ~~paragraph "k".~~  
13 17 1A. Notwithstanding any other provision in this section, a  
13 18 resident of this state is not required to make and file a  
13 19 return if the person's net income is equal to or less than ~~the~~  
13 20 ~~appropriate dollar amount listed in section 422.5, subsection~~  
13 21 ~~2, upon which tax is not imposed fifteen thousand dollars in~~  
13 22 ~~the case of married persons filing jointly, unmarried heads of~~  
13 23 ~~households, and surviving spouses, or is equal to or less than~~  
13 24 ~~eleven thousand dollars in the case of all other persons. A~~  
13 25 nonresident of this state is not required to make and file a

13 26 return if the person's total net income in ~~section 422.5,~~  
13 27 ~~subsection 1, paragraph "j", is equal to or less than the~~  
13 28 ~~appropriate dollar amount provided in section 422.5,~~  
13 29 ~~subsection 2, upon which tax is not imposed fifteen thousand~~  
13 30 ~~dollars in the case of married persons filing jointly,~~  
13 31 ~~unmarried heads of households, and surviving spouses, or is~~  
13 32 ~~equal to or less than eleven thousand dollars in the case of~~  
13 33 ~~all other persons.~~ For purposes of this subsection, the  
13 34 amount of a lump sum distribution subject to separate federal  
13 35 tax shall be included in net income for purposes of  
14 1 determining if a resident is required to file a return and the  
14 2 portion of the lump sum distribution that is allocable to Iowa  
14 3 is included in total net income for purposes of determining if  
14 4 a nonresident is required to make and file a return.  
14 5 Sec. 16. Section 422.21, unnumbered paragraphs 1 and 2,  
14 6 Code 2003, are amended to read as follows:  
14 7 Returns shall be in the form the director prescribes, and  
14 8 shall be filed with the department on or before the last day  
14 9 of the fourth month after the expiration of the tax year.  
14 10 However, co-operative associations as defined in section  
14 11 6072(d) of the Internal Revenue Code shall file their returns  
14 12 on or before the fifteenth day of the ninth month following  
14 13 the close of the taxable year and nonprofit corporations  
14 14 subject to the unrelated business income tax imposed by  
14 15 section 422.33, subsection 1A, shall file their returns on or  
14 16 before the fifteenth day of the fifth month following the  
14 17 close of the taxable year. If, under the Internal Revenue  
14 18 Code, a corporation is required to file a return covering a  
14 19 tax period of less than twelve months, the state return shall  
14 20 be for the same period and is due forty-five days after the  
14 21 due date of the federal tax return, excluding any extension of  
14 22 time to file. In case of sickness, absence, or other  
14 23 disability, or if good cause exists, the director may allow  
14 24 further time for filing returns. The director shall cause to  
14 25 be prepared blank forms for the returns and shall cause them  
14 26 to be distributed throughout the state and to be furnished  
14 27 upon application, but failure to receive or secure the form  
14 28 does not relieve the taxpayer from the obligation of making a  
14 29 return that is required. The department may as far as  
14 30 consistent with the Code draft income tax forms to conform to  
14 31 the income tax forms of the internal revenue department of the  
14 32 United States government. Each return by a taxpayer upon whom  
14 33 a tax is imposed by section 422.5 shall show the county of the  
14 34 residence of the taxpayer. For tax years beginning on or  
14 35 after January 1, 2004, the director shall not prescribe and no  
15 1 longer accept income tax returns of married persons filing  
15 2 separately on the combined return form.  
15 3 An individual in the armed forces of the United States  
15 4 serving in an area designated by the president of the United  
15 5 States or the United States Congress as a combat zone or as a  
15 6 qualified hazardous duty area, or an individual serving in  
15 7 support of those forces, is allowed the same additional time  
15 8 period after leaving the combat zone or the qualified  
15 9 hazardous duty area, or after a period of continuous  
15 10 hospitalization, to file a state income tax return or perform  
15 11 other acts related to the department, as would constitute  
15 12 timely filing of the return or timely performance of other  
15 13 acts described in section 7508(a) of the Internal Revenue  
15 14 Code. For the purposes of this paragraph, "other acts related  
15 15 to the department" includes filing claims for refund for any  
15 16 tax administered by the department, making tax payments other  
15 17 than withholding payments, filing appeals on the tax matters,  
15 18 filing other tax returns, and performing other acts described  
15 19 in the department's rules. The additional time period allowed  
15 20 applies to the spouse of the individual described in this  
15 21 paragraph to the extent the spouse files jointly ~~or separately~~  
15 22 ~~on the combined return form~~ with the individual or when the  
15 23 spouse is a party with the individual to any matter for which  
15 24 the additional time period is allowed.  
15 25 Sec. 17. Section 422.21, unnumbered paragraph 5, Code  
15 26 2003, is amended by striking the unnumbered paragraph.  
15 27 Sec. 18. Section 422.21, unnumbered paragraph 7, Code  
15 28 2003, is amended to read as follows:  
15 29 If married taxpayers file a joint return ~~or file separately~~  
15 30 ~~on a combined return~~ in accordance with rules prescribed by  
15 31 the director, both spouses are jointly and severally liable  
15 32 for the total tax due on the return, except when one spouse is  
15 33 considered to be an innocent spouse under criteria established  
15 34 pursuant to section 6015 of the Internal Revenue Code.  
15 35 Sec. 19. Section 422.11B, Code 2003, is repealed.

16 2 Sec. 20. Section 12D.9, subsection 2, Code 2003, is  
16 3 amended to read as follows:

16 4 2. State income tax treatment of the Iowa educational  
16 5 savings plan trust shall be as provided in section 422.7,  
16 6 ~~subsections 32, 33, and 34~~ subsection 1, paragraph "e", and  
16 7 subsection 2, paragraph "h", and section 422.35, subsection  
16 8 14.

16 9 Sec. 21. Section 217.39, Code 2003, is amended to read as  
16 10 follows:

16 11 217.39 PERSECUTED VICTIMS OF WORLD WAR II == REPARATIONS  
16 12 == HEIRS.

16 13 Notwithstanding any other law of this state, payments paid  
16 14 to and income from lost property of a victim of persecution  
16 15 for racial, ethnic, or religious reasons by Nazi Germany or  
16 16 any other Axis regime or as an heir of such victim which is  
16 17 exempt from state income tax as provided in section 422.7,  
16 18 ~~subsection 35~~ 2, paragraph "k", shall not be considered as  
16 19 income or an asset for determining the eligibility for state  
16 20 or local government benefit or entitlement programs. The  
16 21 proceeds are not subject to recoupment for the receipt of  
16 22 governmental benefits or entitlements, and liens, except liens  
16 23 for child support, are not enforceable against these sums for  
16 24 any reason.

16 25 Sec. 22. Section 422.120, subsection 1, paragraph b,  
16 26 subparagraph (3), Code 2003, is amended to read as follows:

16 27 (3) The annual index factor for the 1997 calendar year is  
16 28 one hundred percent. ~~For each subsequent the 1998 through~~  
16 29 ~~2002 calendar year years,~~ the annual index factor equals the  
16 30 annual inflation factor for that calendar year as computed in  
16 31 section 422.4 for purposes of the individual income tax. For  
16 32 the 2003 calendar year and each subsequent calendar year the  
16 33 annual index factor shall be determined by the department by  
16 34 October 15 of the calendar year preceding the calendar year  
16 35 for which the factor is determined, which reflects the  
17 1 purchasing power of the dollar as a result of inflation during  
17 2 the fiscal year ending in the calendar year preceding the  
17 3 calendar year for which the factor is determined. In  
17 4 determining the annual index factor, the department shall use  
17 5 the annual percent change, but not less than zero percent, in  
17 6 the gross domestic product price deflator computed for the  
17 7 second quarter of the calendar year by the bureau of economic  
17 8 analysis of the United States department of commerce and shall  
17 9 add all of that percent change to one hundred percent. The  
17 10 annual index factor and the cumulative index factor shall each  
17 11 be expressed as a percentage rounded to the nearest one-tenth  
17 12 of one percent. The annual index factor shall not be less  
17 13 than one hundred percent.

17 14 Sec. 23. Section 425.23, subsection 4, paragraph b, Code  
17 15 2003, is amended to read as follows:

17 16 b. The annual adjustment factor for the 1998 base year is  
17 17 one hundred percent. ~~For each subsequent the 1999 through~~  
17 18 ~~2002 base year years,~~ the annual adjustment factor equals the  
17 19 annual inflation factor for the calendar year, in which the  
17 20 base year begins, as computed in section 422.4 for purposes of  
17 21 the individual income tax. For the 2003 base year and each  
17 22 subsequent base year, the annual adjustment factor equals the  
17 23 annual index factor, in which the base year begins, as  
17 24 computed in section 422.120, subsection 1, for purposes of the  
17 25 livestock production tax credit.

17 26 Sec. 24. Section 450.4, subsection 8, Code 2003, is  
17 27 amended to read as follows:

17 28 8. On the value of that portion of any lump sum or  
17 29 installment payments which are received by a beneficiary under  
17 30 an annuity which was purchased under an employee's pension or  
17 31 retirement plan which was excluded from net income ~~as set~~  
17 32 ~~forth in under~~ section 422.7, subsection 31.

17 33 Sec. 25. Section 541A.2, subsection 7, unnumbered  
17 34 paragraph 1, Code 2003, is amended to read as follows:

17 35 An individual development account closed in accordance with  
18 1 this subsection is not subject to the limitations and benefits  
18 2 provided by this chapter but is subject to state tax in  
18 3 accordance with the provisions of section 422.7, subsection ~~28~~  
18 4 2, paragraph "g", and section 450.4, subsection 6. An  
18 5 individual development account may be closed for any of the  
18 6 following reasons:

18 7 Sec. 26. Section 541A.3, subsection 2, Code 2003, is  
18 8 amended to read as follows:

18 9 2. Income earned by an individual development account is  
18 10 not subject to state tax, in accordance with the provisions of  
18 11 section 422.7, subsection ~~28~~ 2, paragraph "g".

18 12 EFFECTIVE AND APPLICABILITY DATE PROVISION



18 13 Sec. 27.

18 14 1. Except as provided in subsection 2, this division of  
18 15 this Act takes effect January 1, 2004, for tax years beginning  
18 16 on or after that date.

18 17 2. The section of this division of this Act repealing  
18 18 section 422.11B takes effect January 1, 2007, for tax years  
18 19 beginning on or after that date.

18 20 DIVISION II

18 21 SALES, USE, AND CIGARETTE TAXES

18 22 SALES AND USE TAXES

18 23 Sec. 28. Section 422.43, subsections 1, 2, 4, 5, 6, 7, 10,  
18 24 11, and 12, Code 2003, are amended to read as follows:

18 25 1. There is imposed a tax of five and one-half percent  
18 26 upon the gross receipts from all sales of tangible personal  
18 27 property, consisting of goods, wares, or merchandise, except  
18 28 as otherwise provided in this division, sold at retail in the  
18 29 state to consumers or users; a like rate of tax upon the gross  
18 30 receipts from the sales, furnishing, or service of gas,  
18 31 electricity, water, heat, pay television service, and  
18 32 communication service, including the gross receipts from such  
18 33 sales by any municipal corporation or joint water utility  
18 34 furnishing gas, electricity, water, heat, pay television  
18 35 service, and communication service to the public in its  
19 1 proprietary capacity, except as otherwise provided in this  
19 2 division, when sold at retail in the state to consumers or  
19 3 users; a like rate of tax upon the gross receipts from all  
19 4 sales of tickets or admissions to places of amusement, fairs,  
19 5 and athletic events except those of elementary and secondary  
19 6 educational institutions; a like rate of tax on the gross  
19 7 receipts from an entry fee or like charge imposed solely for  
19 8 the privilege of participating in an activity at a place of  
19 9 amusement, fair, or athletic event unless the gross receipts  
19 10 from the sales of tickets or admissions charges for observing  
19 11 the same activity are taxable under this division; and a like  
19 12 rate of tax upon that part of private club membership fees or  
19 13 charges paid for the privilege of participating in any  
19 14 athletic sports provided club members.

19 15 2. There is imposed a tax of five and one-half percent  
19 16 upon the gross receipts derived from the operation of all  
19 17 forms of amusement devices and games of skill, games of  
19 18 chance, raffles, and bingo games as defined in chapter 99B,  
19 19 operated or conducted within the state, the tax to be  
19 20 collected from the operator in the same manner as for the  
19 21 collection of taxes upon the gross receipts of tickets or  
19 22 admission as provided in this section. The tax shall also be  
19 23 imposed upon the gross receipts derived from the sale of  
19 24 lottery tickets or shares pursuant to chapter 99E. The tax on  
19 25 the lottery tickets or shares shall be included in the sales  
19 26 price and distributed to the general fund as provided in  
19 27 section 99E.10.

19 28 4. There is imposed a tax of five and one-half percent  
19 29 upon the gross receipts from the sales of engraving,  
19 30 photography, retouching, printing, and binding services. For  
19 31 the purpose of this division, the sales of engraving,  
19 32 photography, retouching, printing, and binding services are  
19 33 sales of tangible property.

19 34 5. There is imposed a tax of five and one-half percent  
19 35 upon the gross receipts from the sales of vulcanizing,  
20 1 recapping, and retreading services. For the purpose of this  
20 2 division, the sales of vulcanizing, recapping, and retreading  
20 3 services are sales of tangible property.

20 4 6. There is imposed a tax of five and one-half percent  
20 5 upon the gross receipts from the sales of optional service or  
20 6 warranty contracts, except residential service contracts  
20 7 regulated under chapter 523C, which provide for the furnishing  
20 8 of labor and materials and require the furnishing of any  
20 9 taxable service enumerated under this section. The gross  
20 10 receipts are subject to tax even if some of the services  
20 11 furnished are not enumerated under this section. For the  
20 12 purpose of this division, the sale of an optional service or  
20 13 warranty contract, other than a residential service contract  
20 14 regulated under chapter 523C, is a sale of tangible personal  
20 15 property. Additional sales, services, or use taxes shall not  
20 16 be levied on services, parts, or labor provided under optional  
20 17 service or warranty contracts which are subject to tax under  
20 18 this section.

20 19 If the optional service or warranty contract is a computer  
20 20 software maintenance or support service contract and there is  
20 21 no separately stated fee for the taxable personal property or  
20 22 for the nontaxable service, the tax of five and one-half  
20 23 percent imposed by this subsection shall be imposed on fifty

20 24 percent of the gross receipts from the sale of such contract.  
20 25 If the contract provides for technical support services only,  
20 26 no tax shall be imposed under this subsection. The provisions  
20 27 of this subsection also apply to the tax imposed by chapter  
20 28 423.

20 29 7. There is imposed a tax of five and one-half percent  
20 30 upon the gross receipts from the renting of rooms, apartments,  
20 31 or sleeping quarters in a hotel, motel, inn, public lodging  
20 32 house, rooming house, manufactured or mobile home which is  
20 33 tangible personal property, or tourist court, or in any place  
20 34 where sleeping accommodations are furnished to transient  
20 35 guests for rent, whether with or without meals. "Renting" and  
21 1 "rent" include any kind of direct or indirect charge for such  
21 2 rooms, apartments, or sleeping quarters, or their use. For  
21 3 the purposes of this division, such renting is regarded as a  
21 4 sale of tangible personal property at retail. However, this  
21 5 tax does not apply to the gross receipts from the renting of a  
21 6 room, apartment, or sleeping quarters while rented by the same  
21 7 person for a period of more than thirty-one consecutive days.

21 8 10. There is imposed a tax of five and one-half percent  
21 9 upon the gross receipts from the rendering, furnishing, or  
21 10 performing of services as defined in section 422.42.

21 11 11. The following enumerated services are subject to the  
21 12 tax imposed on gross taxable services: alteration and garment  
21 13 repair; armored car; vehicle repair; battery, tire, and  
21 14 allied; investment counseling; service charges of all  
21 15 financial institutions; barber and beauty; boat repair;  
21 16 vehicle wash and wax; carpentry; roof, shingle, and glass  
21 17 repair; charges for delivery and transportation of tangible  
21 18 personal property or services that are taxable when sold at  
21 19 retail; dance schools and dance studios; dating services; dry  
21 20 cleaning, pressing, dyeing, and laundering; electrical and  
21 21 electronic repair and installation; rental of tangible  
21 22 personal property, except manufactured or mobile homes which  
21 23 are tangible personal property; excavating and grading; farm  
21 24 implement repair of all kinds; flying service; furniture, rug,  
21 25 upholstery repair and cleaning; fur storage and repair; golf  
21 26 and country clubs and all commercial recreation; house and  
21 27 building moving; household appliance, television, and radio  
21 28 repair; jewelry and watch repair; limousine service, including  
21 29 driver; machine operator; machine repair of all kinds; motor  
21 30 repair; motorcycle, scooter, and bicycle repair; oilers and  
21 31 lubricators; office and business machine repair; painting,  
21 32 papering, and interior decorating; parking facilities; pipe  
21 33 fitting and plumbing; wood preparation; executive search  
21 34 agencies; private employment agencies, excluding services for  
21 35 placing a person in employment where the principal place of  
22 1 employment of that person is to be located outside of the  
22 2 state; sewage services for nonresidential commercial  
22 3 operations; sewing and stitching; shoe repair and shoeshine;  
22 4 sign construction and installation; storage of household  
22 5 goods, mini-storage, and warehousing of raw agricultural  
22 6 products; swimming pool cleaning and maintenance; taxidermy  
22 7 services; telephone answering service; test laboratories,  
22 8 including mobile testing laboratories and field testing by  
22 9 testing laboratories, and excluding tests on humans or  
22 10 animals; termite, bug, roach, and pest eradicators; tin and  
22 11 sheet metal repair; turkish baths, massage, and reducing  
22 12 salons, excluding services provided by massage therapists  
22 13 licensed under chapter 152C; weighing; welding; well drilling;  
22 14 wrapping, packing, and packaging of merchandise other than  
22 15 processed meat, fish, fowl, and vegetables; wrecking service;  
22 16 wrecker and towing; pay television; campgrounds; carpet and  
22 17 upholstery cleaning; gun and camera repair; janitorial and  
22 18 building maintenance or cleaning; lawn care, landscaping, and  
22 19 tree trimming and removal; pet grooming; reflexology; security  
22 20 and detective services; tanning beds or salons; and water  
22 21 conditioning and softening.

22 22 For purposes of this subsection, gross taxable services  
22 23 from rental includes rents, royalties, and copyright and  
22 24 license fees. For purposes of this subsection, "financial  
22 25 institutions" means all national banks, federally chartered  
22 26 savings and loan associations, federally chartered savings  
22 27 banks, federally chartered credit unions, banks organized  
22 28 under chapter 524, savings and loan associations and savings  
22 29 banks organized under chapter 534, and credit unions organized  
22 30 under chapter 533.

22 31 For purposes of the tax on enumerated services under this  
22 32 subsection, service charges of financial institutions do not  
22 33 include surcharges assessed with regard to nonproprietary ATM  
22 34 transactions. This paragraph is repealed June 30, 2003.

22 35 12. A tax of five and one-half percent is imposed upon the  
23 1 gross receipts from the sales of prepaid telephone calling  
23 2 cards and prepaid authorization numbers. For the purpose of  
23 3 this division, the sales of prepaid telephone calling cards  
23 4 and prepaid authorization numbers are sales of tangible  
23 5 personal property.

23 6 Sec. 29. Section 422.43, subsection 13, paragraph a,  
23 7 unnumbered paragraph 1, Code 2003, is amended to read as  
23 8 follows:

23 9 A tax of five and one-half percent is imposed upon the  
23 10 gross receipts from the sales, furnishing, or service of solid  
23 11 waste collection and disposal service.

23 12 Sec. 30. Section 422.43, subsections 16 and 17, Code 2003,  
23 13 are amended to read as follows:

23 14 16. a. A tax of five and one-half percent is imposed upon  
23 15 the gross receipts from sales of bundled services contracts.  
23 16 For purposes of this subsection, a "bundled services contract"  
23 17 means an agreement providing for a retailer's performance of  
23 18 services, one or more of which is a taxable service enumerated  
23 19 in this section and one or more of which is not, in return for  
23 20 a consumer's or user's single payment for the performance of  
23 21 the services, with no separate statement to the consumer or  
23 22 user of what portion of that payment is attributable to any  
23 23 one service which is a part of the contract.

23 24 b. For purposes of the administration of the tax on  
23 25 bundled services contracts, the director may enter into  
23 26 agreements of limited duration with individual retailers,  
23 27 groups of retailers, or organizations representing retailers  
23 28 of bundled services contracts. Such an agreement shall impose  
23 29 the tax rate only upon that portion of the gross receipts from  
23 30 a bundled services contract which is attributable to taxable  
23 31 services provided under the contract.

23 32 17. A tax of five and one-half percent is imposed upon the  
23 33 gross receipts from any mobile telecommunication service which  
23 34 this state is allowed to tax by the provisions of the federal  
23 35 Mobile Telecommunications Sourcing Act, Pub. L. No. 106=252, 4  
24 1 U.S.C. } 116 et seq. For purposes of this subsection, taxes  
24 2 on mobile telecommunications service, as defined under the  
24 3 federal Mobile Telecommunications Sourcing Act, that are  
24 4 deemed to be provided by the customer's home service provider  
24 5 shall be paid to the taxing jurisdiction whose territorial  
24 6 limits encompass the customer's place of primary use,  
24 7 regardless of where the mobile telecommunication service  
24 8 originates, terminates, or passes through and shall in all  
24 9 other respects be taxed in conformity with the federal Mobile  
24 10 Telecommunications Sourcing Act. All other provisions of the  
24 11 federal Mobile Telecommunications Sourcing Act are adopted by  
24 12 the state of Iowa and incorporated into this subsection by  
24 13 reference. With respect to mobile telecommunications service  
24 14 under the federal Mobile Telecommunications Sourcing Act the  
24 15 director shall, if requested, enter into agreements consistent  
24 16 with the provisions of the federal Act.

24 17 Sec. 31. Section 422.45, subsection 2, Code 2003, is  
24 18 amended to read as follows:

24 19 2. The gross receipts from the sales, furnishing, or  
24 20 service of transportation service except the rental of  
24 21 recreational vehicles or recreational boats, except the rental  
24 22 of motor vehicles subject to registration which are registered  
24 23 for a gross weight of thirteen tons or less for a period of  
24 24 sixty days or less, and except the rental of aircraft for a  
24 25 period of sixty days or less. This exemption does not apply  
24 26 to the transportation of electric energy. This exemption does  
24 27 not apply to the transportation of natural gas. This  
24 28 exemption does not apply to the delivery or transportation of  
24 29 tangible personal property or services that are taxable under  
24 30 this division.

24 31 Sec. 32. Section 422.45, subsection 61, Code 2003, is  
24 32 amended by striking the subsection and inserting in lieu  
24 33 thereof the following:

24 34 61. a. The gross receipts from the sale, furnishing, or  
24 35 service of metered gas, electricity, and fuel, including  
25 1 propane and heating oil to residential customers which is used  
25 2 to provide energy for residential dwellings and units of  
25 3 apartment and condominium complexes used for human occupancy  
25 4 shall be partially exempt as provided in paragraph "b".

25 5 b. If the date of the utility billing or meter reading  
25 6 cycle of the residential customer for the sale, furnishing, or  
25 7 service of metered gas and electricity is on or after January  
25 8 1, 2003, or if the sale, furnishing, or service of fuel for  
25 9 purposes of residential energy and the delivery of the fuel  
25 10 occurs on or after January 1, 2003, the rate of tax is three

25 11 percent of the gross receipts.

25 12 c. The partial exemption in this subsection does not apply

25 13 to local option sales and services tax imposed pursuant to

25 14 chapters 422B and 422E.

25 15 Sec. 33. Section 422.47, Code 2003, is amended by adding

25 16 the following new subsection:

25 17 NEW SUBSECTION. 2. Construction contractors may make

25 18 application to the department for a refund of the additional

25 19 one-half of one percent tax paid under this division by reason

25 20 of the increase in the tax from five to five and one-half

25 21 percent for taxes paid on goods, wares, or merchandise under

25 22 the following conditions:

25 23 a. The goods, wares, or merchandise are incorporated into

25 24 an improvement to real estate in fulfillment of a written

25 25 contract fully executed prior to July 1, 2003. The refund

25 26 shall not apply to equipment transferred in fulfillment of a

25 27 mixed construction contract.

25 28 b. The contractor has paid to the department or to a

25 29 retailer the full five and one-half percent tax.

25 30 c. The claim is filed on forms provided by the department

25 31 and is filed within one year of the date the tax is paid.

25 32 A contractor who makes an erroneous application for refund

25 33 shall be liable for payment of the excess refund paid plus

25 34 interest at the rate in effect under section 421.7. In

25 35 addition, a contractor who willfully makes a false application

26 1 for refund is guilty of a simple misdemeanor and is liable for

26 2 a penalty equal to fifty percent of the excess refund claimed.

26 3 Excess refunds, penalties, and interest due under this

26 4 subsection may be enforced and collected in the same manner as

26 5 the tax imposed by this division.

26 6 Sec. 34. Section 422C.3, subsection 1, Code 2003, is

26 7 amended to read as follows:

26 8 1. A tax of five and one-half percent is imposed upon the

26 9 rental price of an automobile if the rental transaction is

26 10 subject to the sales and services tax under chapter 422,

26 11 division IV, or the use tax under chapter 423. The tax shall

26 12 not be imposed on any rental transaction not taxable under the

26 13 state sales and services tax, as provided in section 422.45,

26 14 or the state use tax, as provided in section 423.4, on

26 15 automobile rental receipts.

26 16 Sec. 35. Section 423.2, Code 2003, is amended to read as

26 17 follows:

26 18 423.2 IMPOSITION OF TAX.

26 19 An excise tax is imposed on the use in this state of

26 20 tangible personal property, including aircraft subject to

26 21 registration under section 328.20, purchased for use in this

26 22 state, at the rate of five and one-half percent of the

26 23 purchase price of the property. An excise tax is imposed on

26 24 the use of manufactured housing in this state at the rate of

26 25 five and one-half percent of the purchase price if the

26 26 manufactured housing is sold in the form of tangible personal

26 27 property and at the rate of five and one-half percent of the

26 28 installed purchase price if the manufactured housing is sold

26 29 in the form of realty. An excise tax is imposed on the use of

26 30 leased vehicles at the rate of five and one-half percent of

26 31 the amount otherwise subject to tax as calculated pursuant to

26 32 section 423.7A. The excise tax is imposed upon every person

26 33 using the property within this state until the tax has been

26 34 paid directly to the county treasurer or the state department

26 35 of transportation, to a retailer, or to the department. An

27 1 excise tax is imposed on the use in this state of services

27 2 enumerated in section 422.43 at the rate of five and one-half

27 3 percent. This tax is applicable where services are rendered,

27 4 furnished, or performed in this state or where the product or

27 5 result of the service is used in this state. This tax is

27 6 imposed on every person using the services or the product of

27 7 the services in this state until the user has paid the tax

27 8 either to an Iowa use tax permit holder or to the department.

27 9 Sec. 36. APPLICABILITY. This section applies in regard to

27 10 the increase in the state sales tax from five to five and one-

27 11 half percent. The five and one-half percent rate applies to

27 12 all sales of taxable personal property, consisting of goods,

27 13 wares, or merchandise if delivery occurs on or after July 1,

27 14 2003. The five and one-half percent rate applies to the gross

27 15 receipts from the sale, furnishing, or service of gas,

27 16 electricity, water, heat, pay television service, and

27 17 communication service if the date of billing the customer is

27 18 on or after July 1, 2003. In the case of a service contract

27 19 entered into prior to July 1, 2003, which contract calls for

27 20 periodic payments, the five and one-half percent rate applies

27 21 to those payments made or due on or after July 1, 2003. This

27 22 periodic payment applies, but is not limited to, tickets or  
27 23 admissions, private club membership fees, sources of  
27 24 amusement, equipment rental, dry cleaning, reducing salons,  
27 25 dance schools, and all other services subject to tax, except  
27 26 the aforementioned utility services which are subject to a  
27 27 special transitional rule. Unlike periodic payments under  
27 28 service contracts, installment sales of goods, wares, and  
27 29 merchandise are subject to the full amount of sales or use tax  
27 30 when the sales contract is entered into.

#### 27 31 CIGARETTE TAX

27 32 Sec. 37. Section 453A.6, subsection 1, Code 2003, is  
27 33 amended to read as follows:

27 34 1. There is imposed, and shall be collected and paid to  
27 35 the department, the following taxes on all cigarettes used or  
28 1 otherwise disposed of in this state for any purpose  
28 2 whatsoever:

28 3 CLASS A. On cigarettes weighing not more than three pounds  
28 4 per thousand, ~~eighteen mills~~ three and five hundredths cents  
28 5 on each such cigarette.

28 6 CLASS B. On cigarettes weighing more than three pounds per  
28 7 thousand, ~~eighteen mills~~ three and five hundredths cents on  
28 8 each such cigarette.

#### 28 9 STUDY COMMITTEES

28 10 Sec. 38. INDUSTRIAL PROCESSING EXEMPTION STUDY COMMITTEE.  
28 11 On or before July 1, 2003, the department of revenue and  
28 12 finance shall initiate and coordinate the establishment of an  
28 13 industrial processing exemption study committee and provide  
28 14 staffing assistance to the committee. It is the intent of the  
28 15 general assembly that the committee shall include  
28 16 representatives of the department of revenue and finance,  
28 17 department of management, industrial producers including  
28 18 manufacturers, fabricators, printers and publishers, and an  
28 19 association that specifically represents business tax issues,  
28 20 and other stakeholders.

28 21 The industrial processing exemption under the sales and use  
28 22 tax is a significant exemption for business. The committee  
28 23 shall study and make legislative and administrative  
28 24 recommendations relating to Iowa's processing exemption to  
28 25 ensure maximum utilization by Iowa's industries.

28 26 The committee shall study and make recommendations  
28 27 regarding all of the following:

28 28 1. The current sales and use tax industrial processing  
28 29 exemption.

28 30 2. The corresponding administrative rules, including a  
28 31 review and recommendation of an administrative rules process  
28 32 relating to the industrial processing exemption prior to  
28 33 filing with the administrative rules review committee.

28 34 3. Other states' industrial processing exemptions.

28 35 4. Recommendations for change for issues including  
29 1 effectiveness and competitiveness.

29 2 5. Development of additional publications to improve  
29 3 compliance.

29 4 The committee shall annually report to the general assembly  
29 5 by January 1 of each year through January 1, 2013.

#### 29 6 Sec. 39. IOWA SALES, SERVICES, AND USE TAX STUDY

29 7 COMMITTEE. On or before July 1, 2003, the department of  
29 8 revenue and finance shall initiate and coordinate the  
29 9 establishment of a state sales, services, and use tax study  
29 10 committee and provide staffing assistance to the committee.  
29 11 It is the intent of the general assembly that the committee  
29 12 shall include representatives of the department of revenue and  
29 13 finance, department of management, an association of Iowa  
29 14 farmers and other agricultural interests, retail associations,  
29 15 contractors, taxpayers, an association that specifically  
29 16 represents business tax issues and other stakeholders, two  
29 17 members of the general assembly, and a representative of the  
29 18 governor's office.

29 19 The committee shall study the current sales, services, and  
29 20 use tax law. Programs funded through special features of the  
29 21 tax code often escape regular review. It is intended that the  
29 22 study committee shall review the current sales, services, and  
29 23 use tax exemptions to improve government accountability.

29 24 The committee shall study and make recommendations  
29 25 regarding all of the following:

29 26 1. Retaining or eliminating current sales, services, and  
29 27 use tax exemptions or providing new exemptions. The decision  
29 28 shall be based at least partially on the issues of  
29 29 effectiveness and competitiveness and their impact on economic  
29 30 behavior.

29 31 2. Tax simplification and consistency issues in applying  
29 32 the tax, including recordkeeping burdens on retailers and

29 33 application by the department of revenue and finance.  
29 34 3. Streamline sales tax implementation in Iowa.  
29 35 4. The tax rate.  
30 1 5. Comparison of Iowa sales, services, and use tax  
30 2 structure with other states.  
30 3 The committee shall report to the general assembly by  
30 4 January 1, 2004. The report shall provide rationale for each  
30 5 decision made by the study committee.

30 6 DIVISION III

30 7 PROPERTY TAXATION AND LOCAL BUDGETS

30 8 Sec. 40. Section 24.48, unnumbered paragraphs 4, 5, and 7,  
30 9 Code 2003, are amended by striking the unnumbered paragraphs.

30 10 Sec. 41. Section 24.48, unnumbered paragraph 6, Code 2003,  
30 11 is amended to read as follows:

30 12 For purposes of this section only, "political subdivision"  
30 13 means a ~~city~~, school district, or any other special purpose  
30 14 district which certifies its budget to the county auditor and  
30 15 derives funds from a property tax levied against taxable  
30 16 property situated within the political subdivision, except  
30 17 that it does not mean a city or a county.

30 18 Sec. 42. Section 331.421, Code 2003, is amended by adding  
30 19 the following new subsections:

30 20 NEW SUBSECTION. 1A. "Budget year" is the fiscal year  
30 21 beginning during the calendar year in which a budget is first  
30 22 certified.

30 23 NEW SUBSECTION. 2A. "Current fiscal year" is the fiscal  
30 24 year ending during the calendar year in which a budget is  
30 25 first certified.

30 26 Sec. 43. Section 331.422, unnumbered paragraph 1, Code  
30 27 2003, is amended to read as follows:

30 28 Subject to this section and sections 331.423 through  
30 29 ~~331.426~~ 331.425 or as otherwise provided by state law, the  
30 30 board of each county shall certify property taxes annually at  
30 31 its March session to be levied for county purposes as follows:

30 32 Sec. 44. Section 331.424A, subsection 4, Code 2003, is  
30 33 amended to read as follows:

30 34 4. For the fiscal year beginning July 1, 1996, and for  
30 35 each subsequent fiscal year, the county shall certify a levy  
31 1 for payment of services. For each fiscal year, county  
31 2 revenues from taxes imposed by the county credited to the  
31 3 services fund shall not exceed an amount equal to the amount  
31 4 of base year expenditures for services as defined in section  
31 5 331.438, less the amount of property tax relief to be received  
31 6 pursuant to section 426B.2, in the fiscal year for which the  
31 7 budget is certified. The county auditor and the board of  
31 8 supervisors shall reduce the amount of the levy certified for  
31 9 the services fund by the amount of property tax relief to be  
31 10 received. A levy certified under this section is not subject  
31 11 to the appeal provisions of section ~~331.426~~ 444.25, subsection  
31 12 5, or to any other provision in law authorizing a county to  
31 13 exceed, increase, or appeal a property tax levy limit.

31 14 Sec. 45. Section 331.425, unnumbered paragraph 1, Code  
31 15 2003, is amended to read as follows:

31 16 The board may certify an addition to a levy in excess of  
31 17 the amounts otherwise permitted under sections 331.423, and  
31 18 ~~331.424, and 331.426~~ if the proposition to certify an addition  
31 19 to a levy has been submitted at a special levy election and  
31 20 received a favorable majority of the votes cast on the  
31 21 proposition. A special levy election is subject to the  
31 22 following:

31 23 Sec. 46. Section 331.434, unnumbered paragraph 1, Code  
31 24 2003, is amended to read as follows:

31 25 Annually, the board of each county, subject to sections  
31 26 331.423 through ~~331.426~~ 331.425 and other applicable state  
31 27 law, shall prepare and adopt a budget, certify taxes, and  
31 28 provide appropriations as follows:

31 29 Sec. 47. Section 331.434, Code 2003, is amended by adding  
31 30 the following new subsection:

31 31 NEW SUBSECTION. 8. a. Budgeted ending fund balances for  
31 32 a budget year in excess of twenty-five percent of budgeted  
31 33 expenditures in either the general fund or rural services fund  
31 34 for that budget year shall be explicitly reserved or  
31 35 designated for a specific purpose and specifically described  
32 1 in the certified budget. The certified budget for the budget  
32 2 year shall include a description of any changes from the  
32 3 current fiscal year to the explicitly reserved or designated  
32 4 purpose for the excess ending fund balance as specifically  
32 5 described in the certified budget. For purposes of this  
32 6 section, ending fund balances shall be determined either on a  
32 7 cash basis or an accrual basis, whichever is consistent with  
32 8 the method used for the county's budget. The description

32 9 shall include the projected date that the expenditures will be  
32 10 appropriated for the specific purpose. Budgeted ending fund  
32 11 balances reserved or designated shall only be used for the  
32 12 purpose specifically described in the certified budget. The  
32 13 certified budget shall not be amended for the purpose of  
32 14 changing the specific purpose after the budget year begins.

32 15 b. In a protest to the county budget under section  
32 16 331.436, the county shall have the burden of proving that the  
32 17 budgeted ending fund balances in excess of twenty-five percent  
32 18 are reasonably likely to be appropriated for the explicitly  
32 19 reserved or designated specific purpose by the date identified  
32 20 in the certified budget.

32 21 c. The budgeted ending fund balance in excess of twenty=  
32 22 five percent of expenditures for the general fund or rural  
32 23 services fund shall be considered an increase in an item in  
32 24 the budget for purposes of section 24.28. The state appeal  
32 25 board may certify a decision in accordance with section 24.32  
32 26 that requires a reduction in the budgeted ending fund balance  
32 27 for a particular fund.

32 28 Sec. 48. Section 331.435, unnumbered paragraph 1, Code  
32 29 2003, is amended to read as follows:

32 30 The board may amend the adopted county budget, subject to  
32 31 sections 331.423 through ~~331.426~~ 331.425 and other applicable  
32 32 state law, to permit increases in any class of proposed  
32 33 expenditures contained in the budget summary published under  
32 34 section 331.434, subsection 3.

32 35 Sec. 49. Section 331.436, Code 2003, is amended by adding  
33 1 the following new unnumbered paragraph:

33 2 NEW UNNUMBERED PARAGRAPH. For purposes of a protest to the  
33 3 adopted budget, "item" means a budgeted expenditure,  
33 4 appropriation, or cash reserve from a fund for a service area,  
33 5 program, program element, or purpose.

33 6 Sec. 50. NEW SECTION. 421.71 PROPERTY TAX STUDY  
33 7 COMMITTEE.

33 8 1. An Iowa property tax study committee coordinated and  
33 9 administered by the department of revenue and finance is  
33 10 created.

33 11 2. a. The committee shall be composed of one member of  
33 12 the Iowa senate appointed by the majority leader of the  
33 13 senate, and one member of the Iowa house of representatives  
33 14 appointed by the speaker of the house of representatives, the  
33 15 governor or the governor's designee, the director of revenue  
33 16 and finance or the director's designee, and the director of  
33 17 the department of management or the director's designee.

33 18 b. The committee shall also be composed of the following  
33 19 persons appointed by the director of revenue and finance:

33 20 (1) One representative of the Iowa state association of  
33 21 counties.

33 22 (2) One representative of the Iowa league of cities.

33 23 (3) One representative of the Iowa association of school  
33 24 boards.

33 25 (4) One representative of an organization representing  
33 26 property taxpayers.

33 27 (5) One representative of an organization representing  
33 28 agricultural interests.

33 29 (6) One representative of an organization representing  
33 30 business and industry interests.

33 31 (7) One citizen representative.

33 32 3. Staffing for the committee shall be provided by the  
33 33 department of revenue and finance and the department of  
33 34 management.

33 35 4. The committee's duties shall include, but not be  
34 1 limited to, the following:

34 2 a. Monitoring the implementation of this Act, including  
34 3 shifts in property tax burden.

34 4 b. Recommending statutory changes relating to this Act.

34 5 c. Examining the impact of this Act on county and city  
34 6 budgets.

34 7 d. Compiling information on the number of counties and  
34 8 cities that each year appeal for additional property taxes  
34 9 pursuant to section 444.25, subsection 5.

34 10 e. Examining the impact of this Act on the school aid  
34 11 funding formula and recommending changes to the regular  
34 12 program foundation formula.

34 13 f. Recommending other changes to property tax law that may  
34 14 go beyond the scope of this Act.

34 15 5. The committee shall report annually to the general  
34 16 assembly and the governor on the items listed in subsection 4.

34 17 6. This section is repealed effective July 1, 2009.

34 18 Sec. 51. Section 435.1, subsections 3, 5, and 7, Code  
34 19 2003, are amended to read as follows:

34 20 3. "Manufactured home" means a factory-built structure  
34 21 built under authority of 42 U.S.C. } 5403, that is required by  
34 22 federal law to display a seal from the United States  
34 23 department of housing and urban development, and was  
34 24 constructed on or after June 15, 1976. ~~If a manufactured home~~  
~~34 25 is placed in a manufactured home community or a mobile home~~  
~~34 26 park, the home must be titled and is subject to the~~  
~~34 27 manufactured or mobile home square foot tax. If a~~  
~~34 28 manufactured home is placed outside a manufactured home~~  
~~34 29 community or a mobile home park, the A manufactured home must~~  
34 30 be titled and is to be assessed and taxed as real estate.

34 31 5. "Mobile home" means any vehicle without motive power  
34 32 used or so manufactured or constructed as to permit its being  
34 33 used as a conveyance upon the public streets and highways and  
34 34 so designed, constructed, or reconstructed as will permit the  
34 35 vehicle to be used as a place for human habitation by one or  
35 1 more persons; but shall also include any such vehicle with  
35 2 motive power not registered as a motor vehicle in Iowa. A  
35 3 "mobile home" is not built to a mandatory building code,  
35 4 contains no state or federal seals, and was built before June  
35 5 15, 1976. ~~If a A mobile home is placed outside a mobile home~~  
~~35 6 park, the home is to be assessed and taxed as real estate.~~

35 7 7. "Modular home" means a factory-built structure which is  
35 8 manufactured to be used as a place of human habitation, is  
35 9 constructed to comply with the Iowa state building code for  
35 10 modular factory-built structures, and must display the seal  
35 11 issued by the state building code commissioner. ~~If a modular~~  
~~35 12 home is placed in a manufactured home community or mobile home~~  
~~35 13 park, the home is subject to the annual tax as required by~~  
~~35 14 section 435.22. If a A modular home is placed outside a~~  
~~35 15 manufactured home community or a mobile home park, the home~~  
~~35 16 shall be considered real property and is to be assessed and~~  
35 17 taxed as real estate.

35 18 Sec. 52. Section 435.22, Code 2003, is amended by striking  
35 19 the section and inserting in lieu thereof the following:

35 20 435.22 ASSESSMENT == CREDITS.

35 21 A mobile home or manufactured home used primarily as a  
35 22 residence shall be assessed as residential property pursuant  
35 23 to section 441.21, and shall be taxed an annual ad valorem tax  
35 24 in the same manner as other residential property. A mobile  
35 25 home or manufactured home used primarily for commercial or  
35 26 industrial purposes shall be assessed as commercial and  
35 27 industrial property pursuant to section 441.21, and shall be  
35 28 taxed an annual ad valorem tax in the same manner as other  
35 29 commercial or industrial property. A person who owns a mobile  
35 30 home or manufactured home as a homestead is eligible for the  
35 31 homestead tax credit provided in section 425.2. A person who  
35 32 owns a mobile home or manufactured home as a homestead and who  
35 33 meets the qualifications provided in sections 425.16 through  
35 34 425.37 is eligible for an extraordinary property tax credit or  
35 35 rent reimbursement. A person who owns a mobile home or  
36 1 manufactured home and who meets the qualifications in chapter  
36 2 426A is eligible for the military service tax credit.  
36 3 Real estate located in a manufactured home community or a  
36 4 mobile home park, as defined in section 435.1, shall be  
36 5 assessed and taxed as residential property.

36 6 Sec. 53. Section 435.23, Code 2003, is amended to read as  
36 7 follows:

36 8 435.23 EXEMPTIONS == PRORATING TAX.

36 9 The manufacturer's and dealer's inventory of mobile homes,  
36 10 manufactured homes, or modular homes not in use as a place of  
36 11 human habitation shall be exempt from the annual tax. All  
36 12 travel trailers shall be exempt from this tax. The homes and  
36 13 travel trailers in the inventory of manufacturers and dealers  
36 14 shall be exempt from personal property tax. ~~The homes coming~~  
~~36 15 into Iowa from out of state and located in a manufactured home~~  
~~36 16 community or mobile home park shall be liable for the tax~~  
~~36 17 computed pro rata to the nearest whole month, for the time the~~  
~~36 18 home is actually situated in Iowa.~~

36 19 Sec. 54. Section 435.24, subsections 1, 2, and 4, Code  
36 20 2003, are amended to read as follows:

36 21 1. ~~The annual tax is due and payable to the county~~  
~~36 22 treasurer on or after July 1 in each fiscal year and is~~  
~~36 23 collectible in the same manner and at the same time as~~  
~~36 24 ordinary taxes as provided in sections 445.36, 445.37, and~~  
~~36 25 445.39. Interest at the rate prescribed by law shall accrue~~  
~~36 26 on unpaid taxes. Both installments of taxes may be paid at~~  
~~36 27 one time. The September installment represents a tax period~~  
~~36 28 beginning July 1 and ending December 31. The March~~  
~~36 29 installment represents a tax period beginning January 1 and~~  
~~36 30 ending June 30. A mobile home, manufactured home, or modular~~



~~36 31 home coming into this state from outside the state, put in use~~  
~~36 32 from a dealer's inventory, or put in use at any time after~~  
~~36 33 July 1 or January 1, and located in a manufactured home~~  
~~36 34 community or mobile home park, is subject to the taxes~~  
~~36 35 prorated for the remaining unexpired months of the tax period,~~  
~~37 1 but the purchaser is not required to pay the tax at the time~~  
~~37 2 of purchase. Interest attaches the following April 1 for~~  
~~37 3 taxes prorated on or after October 1. Interest attaches the~~  
~~37 4 following October 1 for taxes prorated on or after April 1.~~  
~~37 5 Interest at the rate prescribed by law shall accrue on unpaid~~  
~~37 6 taxes. If the taxes are not paid, the county treasurer shall~~  
~~37 7 send a statement of delinquent taxes as part of the notice of~~  
~~37 8 tax sale as provided in section 446.9. The owner of a home~~  
~~37 9 who sells the home between July 1 and December 31 and obtains~~  
~~37 10 a tax clearance statement is responsible only for the~~  
~~37 11 September tax payment and is not required to pay taxes for~~  
~~37 12 subsequent tax periods. If the owner of a home located in a~~  
~~37 13 manufactured home community or mobile home park sells the~~  
~~37 14 home, obtains a tax clearance statement, and obtains a~~  
~~37 15 replacement home to be located in a manufactured home~~  
~~37 16 community or mobile home park, the owner shall not pay taxes~~  
~~37 17 under this chapter for the newly acquired home for the same~~  
~~37 18 tax period that the owner has paid taxes on the home sold.~~  
~~37 19 Interest for delinquent taxes shall be calculated to the~~  
~~37 20 nearest whole dollar. In calculating interest each fraction~~  
~~37 21 of a month shall be counted as an entire month.~~  
~~37 22 2. The home owners upon issuance of a certificate of title~~  
~~37 23 or upon transporting to a new site shall file the address,~~  
~~37 24 township, and school district, of the location where the home~~  
~~37 25 is parked with the county treasurer's office. Failure to~~  
~~37 26 comply is punishable as set out in section 435.18. When the~~  
~~37 27 new location is outside of a manufactured home community or~~  
~~37 28 mobile home park, the~~  
~~37 29 the assessor a copy of the tax clearance statement for~~  
~~37 30 purposes of assessment as real estate on the following January~~  
~~37 31 1.~~  
~~37 32 4. The tax is a lien on the vehicle senior to any other~~  
~~37 33 lien upon it except a judgment obtained in an action to~~  
~~37 34 dispose of an abandoned home under section 555B.8. The home~~  
~~37 35 bearing a current registration issued by any other state and~~  
~~38 1 remaining within this state for an accumulated period not to~~  
~~38 2 exceed ninety days in any twelve-month period is not subject~~  
~~38 3 to Iowa tax. However, when one or more persons occupying a~~  
~~38 4 home bearing a foreign registration are employed in this~~  
~~38 5 state, there is no exemption from the Iowa tax. This tax is~~  
~~38 6 in lieu of all other taxes general or local on a home.~~  
~~38 7 Sec. 55. Section 435.26, subsection 1, paragraph a, Code~~  
~~38 8 2003, is amended to read as follows:~~  
~~38 9 a. A mobile home or manufactured home which is located~~  
~~38 10 outside a manufactured home community or mobile home park~~  
~~38 11 shall be converted to real estate by being shall be placed on~~  
~~38 12 a permanent foundation and shall be assessed for real estate~~  
~~38 13 taxes. A home, after conversion to real estate, is eligible~~  
~~38 14 for the homestead tax credit and the military tax exemption as~~  
~~38 15 provided in sections 425.2 and 426A.11. Such mobile home or~~  
~~38 16 manufactured home is subject to the requirements of this~~  
~~38 17 section.~~  
~~38 18 Sec. 56. Section 435.27, subsection 1, Code 2003, is~~  
~~38 19 amended to read as follows:~~  
~~38 20 1. A mobile home or manufactured home converted to real~~  
~~38 21 estate under section 435.26 may be reconverted to a home as~~  
~~38 22 provided in this section when it that is moved to a~~  
~~38 23 manufactured home community or mobile home park or a~~  
~~38 24 manufactured or mobile home retailer's inventory is subject to~~  
~~38 25 the requirements of this section. When the home is located~~  
~~38 26 within a manufactured home community or mobile home park, the~~  
~~38 27 home shall be taxed pursuant to section 435.22, subsection 1.~~  
~~38 28 Sec. 57. Section 435.27, subsection 3, Code 2003, is~~  
~~38 29 amended by striking the subsection.~~  
~~38 30 Sec. 58. Section 435.28, Code 2003, is amended to read as~~  
~~38 31 follows:~~  
~~38 32 435.28 COUNTY TREASURER TO NOTIFY ASSESSOR.~~  
~~38 33 Upon issuance of a certificate of title to a mobile home or~~  
~~38 34 manufactured home which is not located in a manufactured home~~  
~~38 35 community or mobile home park or dealer's inventory, the~~  
~~39 1 county treasurer shall notify the assessor of the existence of~~  
~~39 2 the home for tax assessment purposes.~~  
~~39 3 Sec. 59. Section 435.35, Code 2003, is amended to read as~~  
~~39 4 follows:~~  
~~39 5 435.35 EXISTING HOME OUTSIDE OF MANUFACTURED HOME~~  
~~39 6 COMMUNITY OR MOBILE HOME PARK == EXEMPTION.~~

39 7 A taxable mobile home or manufactured home which is not  
39 8 located in a manufactured home community or mobile home park  
39 9 as of January 1, 1995, ~~shall be assessed and taxed as real~~  
~~39 10 estate. The home is also~~ exempt from the permanent foundation  
39 11 requirements of this chapter until the home is relocated.  
39 12 Sec. 60. Section 441.1, Code 2003, is amended to read as  
39 13 follows:  
39 14 441.1 OFFICE OF ASSESSOR CREATED.  
39 15 ~~In~~ Except as otherwise provided in section 441.16A, in  
39 16 every county in the state of Iowa the office of assessor is  
39 17 hereby created. A city having a population of ten thousand or  
39 18 more, according to the latest federal census, may by ordinance  
39 19 provide for the selection of a city assessor and for the  
39 20 assessment of property in the city under the provisions of  
39 21 this chapter. A city desiring to provide for assessment under  
39 22 the provisions of this chapter shall, not less than sixty days  
39 23 before the expiration of the term of the assessor in office,  
39 24 notify the taxing bodies affected and proceed to establish a  
39 25 conference board, examining board, and board of review and  
39 26 select an assessor, all as provided in this chapter. A city  
39 27 desiring to abolish the office of city assessor shall repeal  
39 28 the ordinance establishing the office of city assessor, notify  
39 29 the county conference board and the affected taxing districts,  
39 30 provide for the transfer of appropriate records and other  
39 31 matters, and provide for the abolition of the respective  
39 32 boards and the termination of the terms of office of the  
39 33 assessor and members of the respective boards. The abolition  
39 34 of the city assessor's office shall take effect on July 1  
39 35 following notification of the abolition unless otherwise  
40 1 agreed to by the affected conference boards. If notification  
40 2 of the proposed abolition is made after January 1, sufficient  
40 3 funds shall be transferred from the city assessor's budget to  
40 4 fund the additional responsibilities transferred to the county  
40 5 assessor for the next fiscal year.  
40 6 Sec. 61. NEW SECTION. 441.16A COUNTIES JOINING IN  
40 7 EMPLOYMENT OF ASSESSOR.  
40 8 The boards of supervisors of two or more adjacent counties  
40 9 may enter into an agreement to jointly employ a county  
40 10 assessor. Such agreement shall be written and entered in  
40 11 their respective minutes and a copy of the agreement  
40 12 transmitted to the conference board of each county that is a  
40 13 party to the agreement. The written agreement shall provide  
40 14 for the manner of allocation of the budget of the assessor's  
40 15 office. The provisions of chapter 28E shall be applicable to  
40 16 this section, except that such agreement shall not be  
40 17 applicable for a period of less than six years beginning from  
40 18 the date the multicounty assessor is appointed by the  
40 19 conference board.  
40 20 The conference board shall be established as provided in  
40 21 section 441.2, with representation from each county that is a  
40 22 party to the agreement. The conference board shall appoint  
40 23 one examining board.  
40 24 The term of the multicounty assessor shall begin on July 1  
40 25 following the date of the agreement and the terms of the  
40 26 incumbent assessor in each county that is a party to the  
40 27 agreement shall expire on that date, notwithstanding the term  
40 28 specified in section 441.8.  
40 29 Sec. 62. Section 441.21, subsection 1, Code 2003, is  
40 30 amended by adding the following new paragraph:  
40 31 NEW PARAGRAPH. h. The assessor shall determine the value  
40 32 of real property in accordance with rules adopted by the  
40 33 revenue department and in accordance with forms and guidelines  
40 34 contained in the real property appraisal manual prepared by  
40 35 the department as updated from time to time, as long as such  
41 1 rules, forms, and guidelines are not inconsistent with or  
41 2 change the means, as provided in this section, of determining  
41 3 the actual, market, taxable, and assessed values.  
41 4 If the director of revenue and finance determines that an  
41 5 assessor has willfully disregarded the rules of the department  
41 6 relating to valuation of property or has willfully disregarded  
41 7 the forms and guidelines contained in the real property  
41 8 appraisal manual, the department shall take steps to withhold  
41 9 the payment authorized in chapter 405A to the county or city,  
41 10 as applicable, until the assessor is determined to be in  
41 11 compliance.  
41 12 Sec. 63. Section 441.21, subsection 2, Code 2003, is  
41 13 amended to read as follows:  
41 14 2. In the event market value of the property being  
41 15 assessed cannot be readily established in the foregoing  
41 16 manner, then the assessor may determine the value of the  
41 17 property using the other uniform and recognized appraisal

41 18 methods including its productive and earning capacity, if any,  
41 19 industrial conditions, its cost, physical and functional  
41 20 depreciation and obsolescence and replacement cost, and all  
41 21 other factors which would assist in determining the fair and  
41 22 reasonable market value of the property but the actual value  
41 23 shall not be determined by use of only one such factor. The  
41 24 following shall not be taken into consideration: Special  
41 25 value or use value of the property to its present owner, and  
41 26 the good will or value of a business which uses the property  
41 27 as distinguished from the value of the property as property.  
41 28 However, in assessing property that is rented or leased to  
41 29 low-income individuals and families as authorized by section  
41 30 42 of the Internal Revenue Code, as amended, and which section  
41 31 limits the amount that the individual or family pays for the  
41 32 rental or lease of units in the property, the assessor shall  
41 33 use the productive and earning capacity from the actual rents  
41 34 received as a method of appraisal and shall take into account  
41 35 the extent to which that use and limitation reduces the market  
42 1 value of the property. The assessor shall not consider any  
42 2 tax credit equity or other subsidized financing as income  
42 3 provided to the property in determining the assessed value.  
42 4 Upon adoption of uniform rules by the revenue department or  
42 5 succeeding authority covering assessments and valuations of  
42 6 such properties, ~~said the~~ valuation on such properties shall  
42 7 be determined in accordance ~~therewith~~ with such rules and in  
42 8 accordance with forms and guidelines contained in the real  
42 9 property appraisal manual prepared by the department as  
42 10 updated from time to time for assessment purposes to assure  
42 11 uniformity, but such rules, forms, and guidelines shall not be  
42 12 inconsistent with or change the foregoing means of determining  
42 13 the actual, market, taxable and assessed values.

42 14 Sec. 64. Section 441.21, subsection 4, Code 2003, is  
42 15 amended by adding the following new unnumbered paragraphs:  
42 16 NEW UNNUMBERED PARAGRAPH. For valuations established as of  
42 17 January 1, 2003, and each year thereafter, the percentage of  
42 18 actual value, as equalized by the director of revenue and  
42 19 finance as provided in section 441.49, at which residential  
42 20 property shall be assessed shall not be less than fifty  
42 21 percent. If the percentage of actual value of residential  
42 22 property as calculated in accordance with this subsection is  
42 23 less than fifty percent, the director of revenue and finance  
42 24 shall increase the percentage to fifty percent. For purposes  
42 25 of determining valuations in the assessment year beginning  
42 26 January 1, 2004, and for each subsequent assessment year, the  
42 27 actual percentage for the prior year as determined under this  
42 28 subsection before adjustment under this paragraph, if  
42 29 necessary, shall be the percentage used in making the  
42 30 calculation of the dividend for that assessment year.

42 31 NEW UNNUMBERED PARAGRAPH. For valuations established as of  
42 32 January 1, 2003, and each year thereafter, the percentage of  
42 33 actual value, as equalized by the director of revenue and  
42 34 finance as provided in section 441.49, at which agricultural  
42 35 property shall be assessed shall not be less than forty  
43 1 percent of the market value of agricultural property  
43 2 established annually by Iowa state university. If the  
43 3 percentage of actual value of agricultural property as  
43 4 calculated in accordance with this subsection is less than  
43 5 forty percent, the director of revenue and finance shall  
43 6 increase the percentage to forty percent. For purposes of  
43 7 determining valuations in the assessment year beginning  
43 8 January 1, 2004, and for each subsequent assessment year, the  
43 9 actual percentage for the prior year as determined under this  
43 10 subsection before adjustment under this paragraph, if  
43 11 necessary, shall be the percentage used in making the  
43 12 calculation of the dividend for that assessment year.

43 13 Sec. 65. Section 441.21, subsection 5, Code 2003, is  
43 14 amended by adding the following new unnumbered paragraph:  
43 15 NEW UNNUMBERED PARAGRAPH. For valuations established as of  
43 16 January 1, 2003, and each year thereafter, the percentage of  
43 17 actual value, as equalized by the director of revenue and  
43 18 finance as provided in section 441.49, at which commercial and  
43 19 industrial property shall be assessed shall not be more than  
43 20 eighty-five percent. If the percentage of actual value of  
43 21 commercial and industrial property as calculated in accordance  
43 22 with this subsection is more than eighty-five percent, the  
43 23 director of revenue and finance shall decrease the percentage  
43 24 to eighty-five percent. For purposes of determining  
43 25 valuations in the assessment year beginning January 1, 2004,  
43 26 and for each subsequent assessment year, the actual percentage  
43 27 for the prior year as determined under this subsection before  
43 28 adjustment under this paragraph, if necessary, shall be the

43 29 percentage used in making the calculation of the dividend for  
43 30 that assessment year.

43 31 Sec. 66. Section 441.21, Code 2003, is amended by adding  
43 32 the following new subsection:

43 33 NEW SUBSECTION. 13. Beginning with the assessment year  
43 34 beginning January 1, 2004, and for all subsequent assessment  
43 35 years, commercial property and industrial property shall be  
44 1 assessed as one class of property.

44 2 Sec. 67. Section 441.37, subsection 1, Code 2003, is  
44 3 amended by adding the following new unnumbered paragraph:

44 4 NEW UNNUMBERED PARAGRAPH. In lieu of filing a protest with  
44 5 the local board of review, a property owner or aggrieved  
44 6 taxpayer of industrial property may file a protest with the  
44 7 director of revenue and finance. Such protest must meet the  
44 8 requirements of this subsection. The costs incurred by the  
44 9 department associated with the protest of an assessment to the  
44 10 director of revenue and finance shall be paid from the  
44 11 assessment expense fund of the county where the property is  
44 12 located.

44 13 Sec. 68. Section 441.37, subsection 3, Code 2003, is  
44 14 amended to read as follows:

44 15 3. a. After the board of review has considered any  
44 16 protest filed by a property owner or aggrieved taxpayer and  
44 17 made final disposition of the protest, the board shall give  
44 18 written notice to the property owner or aggrieved taxpayer who  
44 19 filed the protest of the action taken by the board of review  
44 20 on the protest. The written notice to the property owner or  
44 21 aggrieved taxpayer shall also specify the reasons for the  
44 22 action taken by the board of review on the protest.

44 23 b. After the department has considered any protest filed  
44 24 by a property owner or aggrieved taxpayer of an industrial  
44 25 property assessment and made final disposition of the protest,  
44 26 the department shall give written notice to the local board of  
44 27 review and to the property owner or aggrieved taxpayer who  
44 28 filed the protest of the action taken by the department on the  
44 29 protest. The written notice to the local board of review, and  
44 30 to the property owner or aggrieved taxpayer, shall also  
44 31 specify the reasons for the action taken by the department on  
44 32 the protest. Action taken on a protest filed under this  
44 33 paragraph is final and the property owner or aggrieved  
44 34 taxpayer is prohibited from appealing the action to district  
44 35 court.

45 1 Sec. 69. Section 441.54, Code 2003, is amended to read as  
45 2 follows:

45 3 441.54 CONSTRUCTION.

45 4 Whenever in the laws of this state, the words "assessor" or  
45 5 "assessors" appear, singly or in combination with other words,  
45 6 they shall be deemed to mean and refer to the multicounty,  
45 7 county, or city assessor, as the case may be.

45 8 Sec. 70. NEW SECTION. 444.25 PROPERTY TAX LIMITATIONS.

45 9 1. COUNTY LIMITATION.

45 10 a. For the fiscal year beginning July 1, 2004, and for all  
45 11 subsequent fiscal years, the maximum amount of property tax  
45 12 dollars that may be certified by a county for taxes payable in  
45 13 the budget year shall not exceed the amount of property tax  
45 14 dollars certified by the county for taxes payable in the  
45 15 current fiscal year for each of the levies for the following:

45 16 (1) General county services under section 331.422,  
45 17 subsection 1.

45 18 (2) Rural county services under section 331.422,  
45 19 subsection 2.

45 20 (3) Other taxes under section 331.422, subsection 4.

45 21 b. The limitation provided in this subsection does not  
45 22 apply to the levies on the increase in taxable valuation due  
45 23 to new construction, additions or improvements to existing  
45 24 structures, remodeling of existing structures for which a  
45 25 building permit is required, annexation, and phasing out of  
45 26 tax exemptions, and on the increase in valuation of taxable  
45 27 property as a result of a comprehensive revaluation by a  
45 28 private appraiser under a contract entered into prior to  
45 29 January 1, 2003, or as a result of a comprehensive revaluation  
45 30 directed or authorized by the conference board prior to  
45 31 January 1, 2003, with documentation of the contract,  
45 32 authorization, or directive on the revaluation provided to the  
45 33 director of revenue and finance, if the levies are equal to or  
45 34 less than the levies for the previous year; levies on that  
45 35 portion of the taxable property located in an urban renewal  
46 1 project the tax revenues from which are no longer divided as  
46 2 provided in section 403.19, subsection 2; or as otherwise  
46 3 provided in this section.

46 4 2. CITY LIMITATION.

46 5 a. For the fiscal year beginning July 1, 2004, and for all  
46 6 subsequent fiscal years, the maximum amount of property tax  
46 7 dollars that may be certified by a city for taxes payable in  
46 8 the budget year shall not exceed the amount in property tax  
46 9 dollars certified by the city for taxes payable in the current  
46 10 fiscal year for each of the levies for the following:

- 46 11 (1) City government purposes under section 384.1.
- 46 12 (2) Capital improvements reserve fund under section 384.7.
- 46 13 (3) Emergency fund purposes under section 384.8.
- 46 14 (4) Other city government purposes under section 384.12.

46 15 b. The limitation provided in this subsection does not  
46 16 apply to the levies on the increase in taxable valuation due  
46 17 to new construction, additions or improvements to existing  
46 18 structures, remodeling of existing structures for which a  
46 19 building permit is required, annexation, and phasing out of  
46 20 tax exemptions, and on the increase in valuation of taxable  
46 21 property as a result of a comprehensive revaluation by a  
46 22 private appraiser under a contract entered into prior to  
46 23 January 1, 2003, or as a result of a comprehensive revaluation  
46 24 directed or authorized by the conference board prior to  
46 25 January 1, 2003, with documentation of the contract,  
46 26 authorization, or directive on the revaluation provided to the  
46 27 director of revenue and finance, if the levies are equal to or  
46 28 less than the levies for the previous year; levies on that  
46 29 portion of the taxable property located in an urban renewal  
46 30 project the tax revenues from which are no longer divided as  
46 31 provided in section 403.19, subsection 2; or as otherwise  
46 32 provided in this section.

46 33 3. GROWTH OPPORTUNITIES. The dollar amount computed under  
46 34 subsection 1 or 2 may be increased each year, as provided in  
46 35 this subsection.

47 1 a. The dollar amount determined in subsection 1, paragraph  
47 2 "a", or subsection 2, paragraph "a", shall be increased by the  
47 3 product of the amount in subsection 1, paragraph "a", or  
47 4 subsection 2, paragraph "a", and the percentage change in the  
47 5 consumer price index or times one and one-half percent,  
47 6 whichever is lower. For purposes of this subsection,  
47 7 "consumer price index" means the percentage rate of change in  
47 8 the consumer price index as tabulated by the United States  
47 9 department of labor, bureau of labor statistics, for the  
47 10 twelve-month period ending June 30 of the fiscal year  
47 11 immediately preceding the current fiscal year.

47 12 b. The dollar amount determined in subsection 1, paragraph  
47 13 "a", or subsection 2, paragraph "a", may be increased by an  
47 14 additional one percent for the fiscal year following the  
47 15 calendar year that the federal government disseminates  
47 16 population data pursuant to Pub. L. No. 94-171 if such data  
47 17 shows that the population of the county or city, as  
47 18 applicable, increased by ten percent or more from the previous  
47 19 federal decennial census.

47 20 c. The dollar amount determined in subsection 1, paragraph  
47 21 "a", or subsection 2, paragraph "a", may be increased by an  
47 22 additional one percent if the budget year enrollment in the  
47 23 county or city, as applicable, increased by more than two  
47 24 percent over the enrollment in the current fiscal year. For  
47 25 purposes of this paragraph, "enrollment" means the number of  
47 26 pupils residing in the county or city, as applicable, and  
47 27 attending kindergarten through twelfth grade in an accredited  
47 28 public or nonpublic school in the state.

47 29 4. EXCEPTIONS. The limitations provided in subsections 1  
47 30 and 2 do not apply to the levies made for the following:

47 31 a. Debt service to be deposited into the debt service fund  
47 32 pursuant to section 331.430 or 384.4.

47 33 b. Taxes approved by a vote of the people which are  
47 34 payable during the fiscal year beginning July 1, 2004, or  
47 35 subsequent fiscal years.

48 1 c. Hospitals pursuant to chapters 37, 347, and 347A.

48 2 5. APPEAL PROCEDURES. If a city or county needs to  
48 3 increase the amount of property tax dollars raised from a tax  
48 4 levy in excess of the amounts allowed in subsections 1 through  
48 5 3, the following procedures apply:

48 6 a. Not later than March 1, and after the publication and  
48 7 public hearing on the budget in the manner and form prescribed  
48 8 by the director of the department of management,  
48 9 notwithstanding sections 331.434, 362.3, and 384.16, the city  
48 10 or county shall petition the state appeal board for approval  
48 11 of a property tax increase in excess of the increases provided  
48 12 for in subsection 3, on forms furnished by the director of the  
48 13 department of management. Applications received after March 1  
48 14 shall be automatically ineligible for consideration by the  
48 15 board.

48 16 b. Additional costs incurred by the city or county due to  
48 17 any of the following circumstances shall be the basis for  
48 18 justifying the extraordinary increase in property tax dollars  
48 19 under this subsection:

48 20 (1) Natural disaster or other life-threatening  
48 21 emergencies.

48 22 (2) Unusual need for additional moneys to finance existing  
48 23 programs that would provide substantial benefit to city or  
48 24 county residents or compelling need to finance new programs  
48 25 that would provide substantial benefit to city or county  
48 26 residents.

48 27 (3) Need for additional moneys for health care, treatment,  
48 28 and facilities, including mental health and mental retardation  
48 29 care and treatment pursuant to section 331.424, subsection 1,  
48 30 paragraphs "a" and "b".

48 31 (4) Judgments, settlements, and related costs arising out  
48 32 of civil claims against the city or county and its officers,  
48 33 employees, and agents, as defined in chapter 670.

48 34 c. The state appeal board shall approve, disapprove, or  
48 35 reduce the amount of excess property tax dollars requested.  
49 1 The board shall take into account the intent of this section  
49 2 to provide property tax relief. The decision of the board  
49 3 shall be rendered at a regular or special meeting of the board  
49 4 within twenty days of the board's receipt of an appeal.

49 5 d. Within seven days of receipt of the decision of the  
49 6 state appeal board, the county or city shall adopt and certify  
49 7 its budget under section 331.434 or 384.16, which budgets may  
49 8 be protested as provided in section 331.436 or 384.19. The  
49 9 budget shall not contain an amount of property tax dollars in  
49 10 excess of the amount approved by the state appeal board.

49 11 6. COUNTY AUDITOR ADJUSTMENT. In addition to the  
49 12 requirement of the county auditor in section 444.3 to  
49 13 establish a rate of tax which does not exceed the rate  
49 14 authorized by law, the county auditor shall also adjust the  
49 15 rate if the amount of property tax dollars to be raised is in  
49 16 excess of the amount specified in subsections 1 and 3 for a  
49 17 county or subsections 2 and 3 for a city, as such rates may be  
49 18 adjusted pursuant to subsection 5.

49 19 7. DEFINITIONS. For purposes of this section, "budget  
49 20 year" and "current fiscal year" mean the same as defined in  
49 21 section 331.421.

49 22 Sec. 71. NEW SECTION. 444.25A OTHER PROPERTY TAX LEVY  
49 23 LIMITATIONS NOT AFFECTED.

49 24 Section 444.25 shall not be construed as removing or  
49 25 otherwise affecting the property tax limitations otherwise  
49 26 provided by law for any tax levy of the political subdivision.

49 27 Sec. 72. Sections 331.426 and 435.34, Code 2003, are  
49 28 repealed.

49 29 Sec. 73. EFFECTIVE AND APPLICABILITY DATES.

49 30 1. The sections of this division of this Act amending  
49 31 sections 435.22 through 435.24, 435.26 through 435.28, and  
49 32 435.35, and repealing section 435.34, apply to property taxes  
49 33 on mobile and manufactured homes due and payable in the fiscal  
49 34 year beginning July 1, 2005.

49 35 2. The repeal of section 331.426 in this division of this  
50 1 Act takes effect July 1, 2004, and applies to fiscal years  
50 2 beginning on or after that date.

50 3 EXPLANATION

50 4 DIVISION I == Division I of this bill rewrites the state  
50 5 individual income tax by setting a flat rate of 3.5 percent of  
50 6 the taxable income. Most adjustments to federal adjusted  
50 7 gross income are eliminated. However, deductions for the  
50 8 amount of all social security and pensions received are phased  
50 9 in over a five-year period. In arriving at the taxable  
50 10 income, all of the itemized deductions allowed for federal tax  
50 11 purposes are eliminated. A standard deduction is provided  
50 12 which is equal to \$2,000 for each personal exemption the  
50 13 taxpayer is allowed under the federal tax code. An additional  
50 14 \$1,000 deduction is allowed if the individual or the  
50 15 individual's spouse is 65 or older or blind. The present  
50 16 personal credit is made contingent on the amount of net  
50 17 income. This amounts to a maximum income of \$25,000 for  
50 18 single filers and \$50,000 for joint filers and heads of  
50 19 households. The deduction for federal income taxes paid is  
50 20 eliminated. The alternative minimum tax is eliminated. The  
50 21 division also retains the present credits that are allowed  
50 22 except for the minimum tax credit. The ability of married  
50 23 persons to file separately on combined returns is eliminated.  
50 24 The division requires a three-fourths vote of members elected  
50 25 to each house to pass legislation that would increase the  
50 26 income tax rate or would impose an alternative minimum tax or

50 27 individual income surtax. A person is not required to file a  
50 28 return if the person's net income is no more than \$15,000 for  
50 29 joint filers, heads of households, and surviving spouses, or  
50 30 no more than \$11,000 for single filers.

50 31 Division I of the bill takes effect January 1, 2004, for  
50 32 tax years beginning on or after that date.

50 33 DIVISION II == Division II of this bill increases the sales  
50 34 and use tax rates from 5 percent to 5.5 percent, sets the rate  
50 35 for providing gas, electricity, and fuel for residential  
51 1 dwellings at 3 percent (total exemption was to occur beginning  
51 2 January 1, 2006), and imposes the tax on the charges for  
51 3 delivery or transportation of taxable tangible personal  
51 4 property and services.

51 5 The division also increases the cigarette tax rate from 1.8  
51 6 cents per cigarette, 36 cents a pack, to 3.05 cents per  
51 7 cigarette, 61 cents a pack.

51 8 The division requires the department of revenue and finance  
51 9 to establish two study committees. The first is to study the  
51 10 industrial processing exemption under the sales and use tax  
51 11 and report to the legislature annually through January 2013.  
51 12 The second is to study the entire sales and use tax law and  
51 13 report to the legislature with its recommendations by January  
51 14 1, 2004. Both study committees would consist of  
51 15 representatives of organizations or businesses with interests  
51 16 in the issues.

51 17 DIVISION III == Division III of this bill makes changes  
51 18 relating to assessment and taxation of real property and to  
51 19 city and county budgets.

51 20 The division requires that if a county's ending fund  
51 21 balance for a budget year exceeds 25 percent of budgeted  
51 22 expenditures, the excess over 25 percent must be explicitly  
51 23 reserved or designated for a specific purpose. The division  
51 24 applies to ending fund balances in the general fund and the  
51 25 rural services fund.

51 26 The division provides that if the amount of the ending fund  
51 27 balance is protested to the state appeal board, the county has  
51 28 the burden of proving that the amount over 25 percent is  
51 29 reasonably likely to be appropriated for the reserved or  
51 30 designated purpose and that the amount is necessary,  
51 31 reasonable, and in the interest of the public welfare. The  
51 32 division defines "budget year", "current fiscal year", and  
51 33 "item".

51 34 The division removes the square footage tax on mobile homes  
51 35 and manufactured homes and replaces it with the ad valorem tax  
52 1 imposed on other real property. The division provides that  
52 2 real estate of a mobile home park or land-leased community  
52 3 shall be assessed and taxed as residential property. These  
52 4 sections of the division apply to taxes due and payable in the  
52 5 fiscal year beginning July 1, 2005.

52 6 The division allows counties to enter into an agreement for  
52 7 employment of a multicounty assessor. The division provides  
52 8 for conference board representation from each county that is a  
52 9 party to the agreement and provides for one examining board in  
52 10 the multicounty area. The division requires that an agreement  
52 11 for multicounty assessor shall be in force for at least six  
52 12 years.

52 13 The division requires local assessors, when assessing  
52 14 property, to use the forms and apply the guidelines contained  
52 15 in the real property appraisal manual prepared by the  
52 16 department of revenue and finance. If the department  
52 17 determines that an assessor, when assessing property, is  
52 18 willfully disregarding rules, forms, and guidelines of the  
52 19 department, the department shall take steps to withhold the  
52 20 county's or city's personal property tax replacement payment  
52 21 by the state until the assessor complies with the rules,  
52 22 forms, and guidelines.

52 23 The division limits the percentage of actual value that  
52 24 residential property may be rolled back to 50 percent  
52 25 beginning with the assessment year beginning January 1, 2003.  
52 26 Beginning with the assessment year beginning January 1, 2003,  
52 27 the division limits the percentage of actual value  
52 28 (productivity value) that agricultural property may be rolled  
52 29 back to an amount equal to 40 percent of the market value of  
52 30 agricultural property as established annually by Iowa state  
52 31 university. The division also provides that, beginning with  
52 32 the assessment year beginning January 1, 2003, the percent of  
52 33 actual value at which commercial and industrial property may  
52 34 be assessed is limited to 85 percent.

52 35 The division provides that, beginning with the assessment  
53 1 year beginning January 1, 2004, commercial and industrial  
53 2 property shall be assessed as one class of property.

53 3 The division provides that an owner or aggrieved taxpayer  
53 4 of industrial property may protest an assessment to the  
53 5 director of revenue and finance. Action taken on a protest  
53 6 made to the director of revenue and finance is final and the  
53 7 owner or aggrieved taxpayer is not allowed to appeal such  
53 8 action to district court.

53 9 The division limits the maximum dollar amounts of property  
53 10 tax levies to be imposed by cities and counties to the dollar  
53 11 amounts of the property taxes levied in the previous year,  
53 12 with certain exceptions. The division also allows the amount  
53 13 of the county's or city's previous year's tax levy to be  
53 14 increased as follows: by 1.5 percent or the consumer price  
53 15 index, whichever is lower; by 1 percent in the fiscal year  
53 16 following the federal decennial census if the population of  
53 17 the county or city, as applicable, has grown by 10 percent or  
53 18 more; and by 1 percent if the budget year enrollment in the  
53 19 county or city, as applicable, increased by more than 2  
53 20 percent over the enrollment in the current fiscal year. The  
53 21 division defines "enrollment". The limitation on property  
53 22 taxes may be exceeded for certain expenditures if the county  
53 23 or city, as applicable, files a petition with the state appeal  
53 24 board by March 1 and the petition is approved by the state  
53 25 appeal board. Conforming amendments relating to exceeding  
53 26 property tax levies are made to Code sections 24.48 and  
53 27 331.426. The limitation on property taxes applies to fiscal  
53 28 years beginning on or after July 1, 2004.

53 29 The division creates a property tax study committee to be  
53 30 coordinated and administered by the department of revenue and  
53 31 finance. Membership on the committee includes representatives  
53 32 from the general assembly, the governor's office, the  
53 33 department of revenue and finance, the department of  
53 34 management, and various interest groups. The committee is to  
53 35 be staffed by the department of revenue and finance and the  
54 1 department of management. The committee is to monitor  
54 2 implementation of this division, including impacts on property  
54 3 taxpayer burden, county and city budgets, and the school aid  
54 4 funding formula and make recommendations for legislative  
54 5 changes related to this division and other changes to property  
54 6 tax law that go beyond the scope of the division. The  
54 7 committee is to annually report to the general assembly and  
54 8 the governor. The section creating the committee is repealed  
54 9 effective July 1, 2009.

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54 11 mg/sh/8